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# THE MANAGER AND MANAGERIAL TOOLS: COMPANY BYLAW AND ORGANISATIONAL CHART

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## **Abstract**

When major changes occur within structural or procedural organisational' structure it's not very simple to update company bylaw, organisation chart, job description, process-map when considering how heavy the informational content of these documents is. Despite their importance managers tend to overlook all of them, to just formally elaborate both the company bylaw and job descriptions and then forget about updating them regularly. In our opinion there is are very few Romanian organisations that consider the documents mentioned before as managerial tools even their role in applying management processes and management functions (coordination, training, evaluation-control) is obvious. This paper comes to fill the void existing in the literature regarding the role and content of such organisational' documents and offer to managers oriented toward excellence efficient and useful instruments in line with the classical techniques, methods and managerial systems. When getting from working empirically to working scientifically, form being amateurs to being professionals one should reconsider the use of company bylaws, job description, and organisation chart as managerial tools not bureaucratic means.

**Keywords:** Bylaw, Organisation chart, Managerial tools, Reengineering.

## **1. INTRODUCTION**

Nowadays, there are many holistic approaches to management in the literature, and management has undergone a constant development of concepts, methods, techniques, and managerial tools (Bălănescu et al., 2013; Plumb et al., 2004; Popa and Ștefan, 2015; Zamfir, 2010, 2013). Managerial tools are next to design and reengineering one of the components of the most dynamic component of the organization management system- the methodological component. In its category one can find systems, methods and management techniques very important in using/employing management processes and each and every of the 5 management functions: prevision, structure, coordination, embroilment and control-

evaluation such as: management by objectives, management by projects, management by exceptions, diagnosis, delegation, scoreboard, meeting, creativity methods, decisional methods, management by costs etc. Although a large number of management specialists considers job description, organisation chart and company bylaws as just organisational structure documents, the authors of this paper acknowledge their importance in ensuring the proper functioning of the organisational management and even more include them among the specific organisational reengineering managerial tools. The speciality literature has many mentions of company bylaws and organisation chart - about their roles, content, presentation - in a diversified manner (Burduş and Popa, 2013, pp. 304-305). Hereinafter, we will get into detail on organisation chart and company bylaw not only regarding roles, content, presentation, but also on various aspects such as: legislation, design, bringing up to date and efficient use.

## 2. COMPANY BYLAW – PRESENT AND PERSPECTIVE

The bylaw, the most complex organisational document of any organisation, regulates or it should regulate the dimensional and functional characteristics of the structural component of the management system (Nicolescu, 2011, pp. 520-521). From the perspective of transforming it into a real managerial tool it should also regulate bylaw the most important elements of the methodological, decisional, informational subsystems. A sound bylaw would detail the organisation's structures and processes, would be the information source for job description's design and update, includes the organisational chart- as graphic representation of the organisational structure and the processes map - as representation of the interdependency among business, support and managerial processes involved in achieving the objectives and last but not least reflects the setting out of the form of the organisation and represents a safety element in the event of a mass dismissal. As a result both organisation chart and process map are included in bylaw and job descriptions are annexes as could not be elaborated only after the corporate bylaw is elaborated and approved.

According to the new Civil Code (Law 287/2009 published on M.O. nr.505/15.07.2011) "any legal entity should have its own structure and patrimony devoted to achieve a licit and moral objective in accord with the general interest". Since structure is one of the fundamentals of the identity of a legal entity it is only normal that is regulated by a specific document, with regulatory purpose, that is the organisation bylaw a distinct document from the Internal Regulation. The obligation of these managerial aspects is regulated by Work Code - modified by Law 40/2011 art. 246. The company bylaw is an exclusive product of an organisation top management unlike Internal Regulation where Unions could be part of its

dispatch. The bylaw is compulsory for any state-owned organisation; for public entities is included in the public regulatory law of their setting-out; the private companies have no such obligation.

Organisation bylaw is, as mentioned before, the most complex structural document, because it reflects, or it should, the major processes components- activities and tasks - at functional and operational departments levels and for management together with official authority and responsibilities; along with structural and processes structure it needs to regain the significant aspects on decisional and informational structure of departments.

The last 60 years of Romanian management practice imposed a type of company bylaw almost identical for state owned organisations and public entities. Such model targets main management structural components such as:

Chapter I Generalities

Chapter II Organisational structure

Chapter III Organisation's management (management Board, management team)

Chapter IV Functional and operational department tasks

Chapter V Final instructions

Several comments on the above mentioned content and format:

First, the generalities chapter is too spread. Most of the cases are about too many like: legal status, main activity, relationships with suppliers, clients, banks, public institutions, central and local administration, functional principles and mechanisms etc.

Second - on organisational structure is highlights through organisation chart included the three layers of management: top management (councils created based on legal requirements and the high level managers (i.e. General Manager and executives), middle management (managers of functional and operational departments and divisions) and line management (mangers of small labs, production units, etc.). Unfortunately the organisational structure on three levels is not enough some departments status not being correlated with their place in the structural organisation chart; terms as division, section, unit, department are used even though all of them are departments - meaning groups of minimum two people that under unique management and on the same site run tasks oriented onto achieving specific objectives.

Third chapter introduces company's management with their tasks and sometimes competencies as well as the managerial team and members of the Board's responsibilities. Their presentation often allows

room for interpretation as there is no limits of them in accordance with the individual objectives of each executive or for the General Manager and also does not respect the qualitative balance given by the "golden triangle" of the structure. Job descriptions as annexes of bylaw illustrate these limits.

Forth chapter, the main one, introduces in detail the tasks of operational and functional departments; unfortunately their definitions get confused and are parallel and even if the structure of the organisation is changed the bylaw is updated over long interval of time. Moreover there is no mention of the decisional and informational structure of a department, nor about its structure itself despite the fact that in older versions prior to 1989 it used to include the relationships diagram (informational) specific for each department. Therefore, from this point of view, the bylaw is a static document unfit, in its present form, to reflect the changes in the functional and dimensional structure of the organisation and its departments. It is undeniably mostly a structural document and not a functional document.

Fifth - with its present structure bylaw cannot be a managerial tool; managers only use it very seldom. It's formality it's obvious!

Last but not least Romanian organisation's using a bylaw still use a template with generic terms mostly unfitted to the realities inside the organisation hence the discrepancies with the organisation chart - updated much frequently- and with job descriptions.

In order to fulfil its role as managerial tool the bylaw should cover all management system's components reinventing itself in a management book for all the actors: managers, people, and stakeholders.

We suggest a company bylaw totally changed if compared with the rigid, large, classic template often useless, with following main points:

*Chapter I Typological characteristic of the organisation*

*Chapter II Management system- brief introduction*

- 1. Methodological subsystem (the mainly used managerial tools used in operating the management processes and the general and specific methodologies for design, operate and maintain management and its components operational, the functions within organisation management, etc.).*
- 2. Decisional subsystem (the main coordinates of strategic and tactical decisional processes, the managerial tools used, the functions within organisation management, etc.).*
- 3. Informational subsystem (informational components, operational and design principles, the management and operation processes information flow, the functions within organisation*

*management, etc.).*

4. *Structural subsystem (main set-up coordinates for structure and processes, connections with objectives system, organisational processes map, organisational chart, operating principles, the functions within organisation management, etc.).*
5. *Human resources management subsystem (main aspects for staff recruiting, selection, hiring, evaluation, motivation, improvement, promoting and protection, organisational culture, the functions within organisation management, etc.).*

#### *Chapter III High level management*

1. *The Management Board (Administration Council, General Shareholders Assembly)*
  - *tasks, competencies, responsibilities*
  - *decisional structure; a decisional description for each of Management Body*
  - *informational structure (the informational mini-system of each Body with accent on specific needs*
2. *Management team (General manager and executive managers)*
  - *General Manager duties, competencies, responsibilities*
  - *Executive managers duties, competencies, responsibilities*
  - *Decisional cards with information flows for each high level manager - decisions they ought to get involved, need-to-know information*

#### *Chapter IV Middle and line management*

1. *Functional departments*
  - *tasks- for each department and process map*
  - *structure set-up - positions number, jobs, hierarchical level for department leader, hierarchical weight, organisational flow, department chart*
  - *decisional set-up - the decisional card for the manager*
  - *informational set-up - in information mini-system specific for each department, with accent on information flow: outputs and inputs, information transiting the department, manager need-to-know information*

2. *Operational departments - the budgetary centres in case of management by profit centres*

- *tasks and process map*
- *structure layout - positions number, jobs, hierarchical level for department leader, hierarchical weight, organisational flow, department chart*
- *decisional layout set-up - the decisional card for the manager*
- *informational layout set-up - in information mini-system specific for each department, with accent on information flow: outputs and inputs, information transiting the department, manager need-to-know information*

*Chapter V Final instructions (the date when bylaw will be in force, updating policy, who could update, its compulsoriness for all employees, penalties for non-compliance etc).*

Extrapolating, such organisational documents could be used by Boards of stock companies, public universities, and autonomous enterprises. The companies structured as profit centres have already the tendency to elaborate bylaws for each entity.

Hereinafter, we will introduce a bylaw template for a budgetary centre (profit or expenses):

I. Typological characteristics

II. The management system for the budgetary centre

1. Methodological component (systems, management techniques and methods, managerial methodologies)
2. Processes layout (tasks, business processes map)
3. Decisional layout set-up (the decision card for the manager)
4. Informational layout set-up (informational flow for the manager, general information flow, scoreboard templates)
5. Structure layout set-up (number of jobs and positions, hierarchical levels, hierarchical weight of the manager, main organisational relationship, organisation chart)

III. Operational mechanisms of the centre

1. Setting-up objectives - specifics and second derivate
2. Objectives achievement means: strategic, tactic, current

3. Resource dimensioning: human, financial, informational
  4. Set-up deadlines for objectives achievement
  5. Policy set-up on yearly and monthly basis
  6. Budget set-up on yearly and monthly basis
  7. Ensuring availability of the human, financial, material, resources needed in objectives achievement
  8. Budget release
  9. Budget execution - timely and proper resource allocation to achieve objectives
  10. Monitoring objectives/budget achievement/execution - delays, scoreboard, management by exceptions, reporting to top management
  11. Production offset
  12. Budgetary analysis - monthly/yearly- monitoring performances, setback causes, recommendations
  13. People motivation in line with the Management contract
- IV. Contracts for services with other auxiliary and functional centres
- V. Final instructions

### 3. ORGANISATION CHART

The management dictionary defines the organisation chart as "the suggestive, systematic and synthetic, graphic representation of the organisational structure of a company or one or many of its departments" (op.cit., p.438). The structural set-up that is the way structural components are added together in a pre-established configuration result in an organisational structure visualised through the organisation chart. As such, in itself, the organisation chart is just a drawing, an illustration of the organisational structure with adequate geometry positioned such way to accurately reflect its morphology. An organisation chart displays all the structural components of a company: jobs, departments, hierarchical levels, hierarchical weights, organisational relationships.

The organisational chart typology is established by the structural components manner of visualisation but also by the organisational structure associated such as:

- Limits - there are general organisation charts - for the entire organisation and partial ones - for one or more departments.
- Layouts - pyramidal ones or top-down and round ones or from-left-to-right. The pyramidal type ones are the most often used and most representative ones are used by simple hierarchical structures being associated with divisional, matrix or hybrid structures (Boyer and Equilbey, 2003, p.201-218).When the organisation has many levels, a so called "high structure" the organisation chart is more like a hand fan; when the structure is "low" with just few levels the organisation chart is more like a rack. Obviously, there is no rule to present a high structure using a fan type organisational chart; also representative and often used could be a grid type of organisation chart (Nicolescu, 2003, p.197).
- Dimensions - the specifics of an organisation's dimensions allow the use of certain types of organisational charts for microenterprises, others for small and medium enterprises and others for big enterprises.

An organisation chart should be updated as many times as changes occur in the structure in order to be a real useful managerial tool. Equally, the organisation chart should illustrate as close as possible the type of structure and it should be visually relevant form the structure it represents. Therefore it should allow a fast reading of the structure in terms of components: positions and departments, layout (number of hierarchical level and the hierarchical weight) and the relationships between those: cooperation, reporting lines and such. To get that certain rules of drawing it should be followed:

- The rectangles should be used for Boards, top management and departments: both functional and operational.
- Lines should be used to represent the relationships between positions on similar and/or different levels.
- The size of rectangles and the thickness of the lines should be used to express the volume, the complexity of the tasks, responsibilities, competencies of Boards and managers.
- Each rectangle representing a department should have a label inside with the total number of positions - if possible with a split between management and subordinates.
- Page layout should also allow a clear and aesthetic visualisation of the organisational structure.

The examples presented hereinafter answer to the above rules:



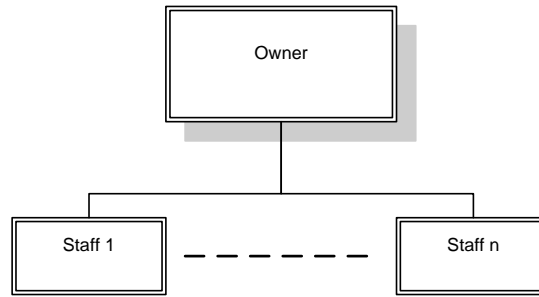


FIGURE 1 - THE ORGANISATIONAL CHART OF A MICROENTERPRISE WITH A SIMPLE HIERARCHICAL STRUCTURE

Source: Authors

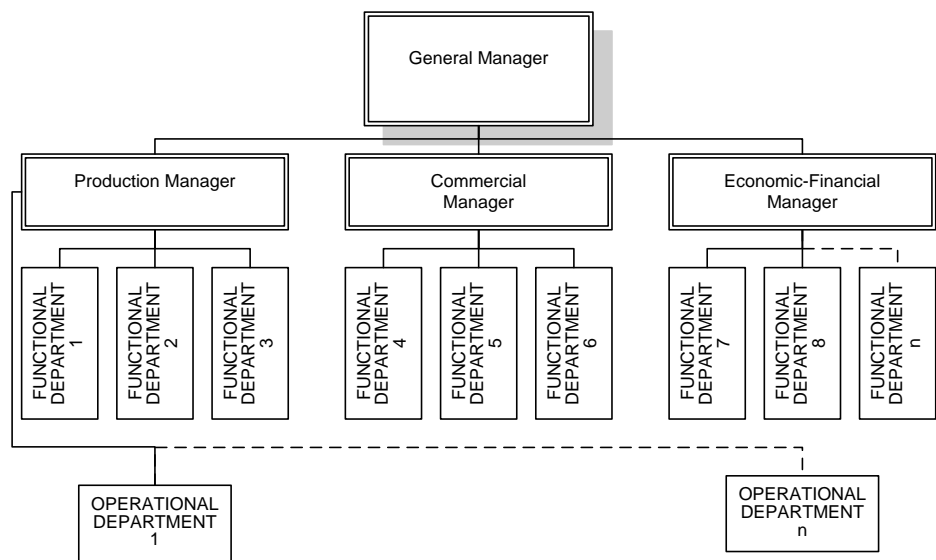


FIGURE 2 - THE PYRAMIDAL ORGANISATIONAL CHART OF A HIERARCHICAL - FUNCTIONAL STRUCTURE

Source: Authors

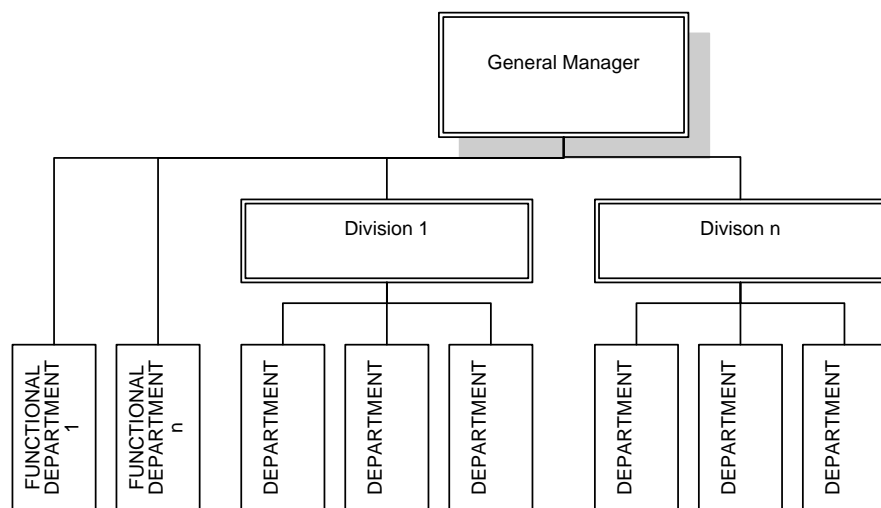


FIGURE 3 - PYRAMIDAL ORGANISATION CHART - SPECIFIC DIVISIONS STRUCTURE

Source: Authors

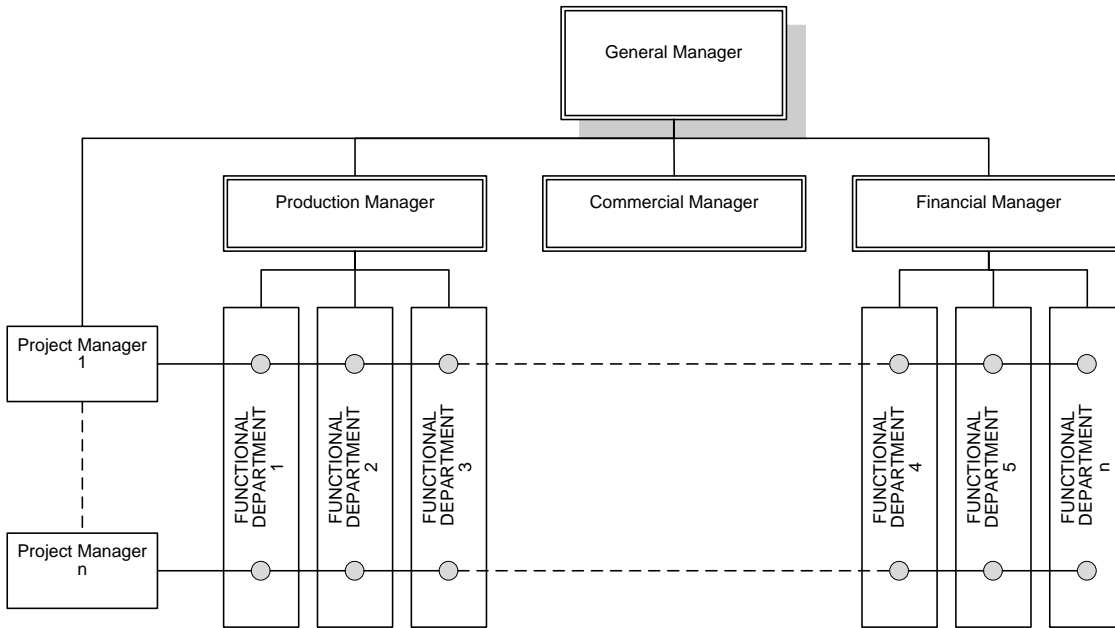


FIGURE 4 - PYRAMIDAL ORGANISATION - MATRIX STRUCTURE  
Source: Authors

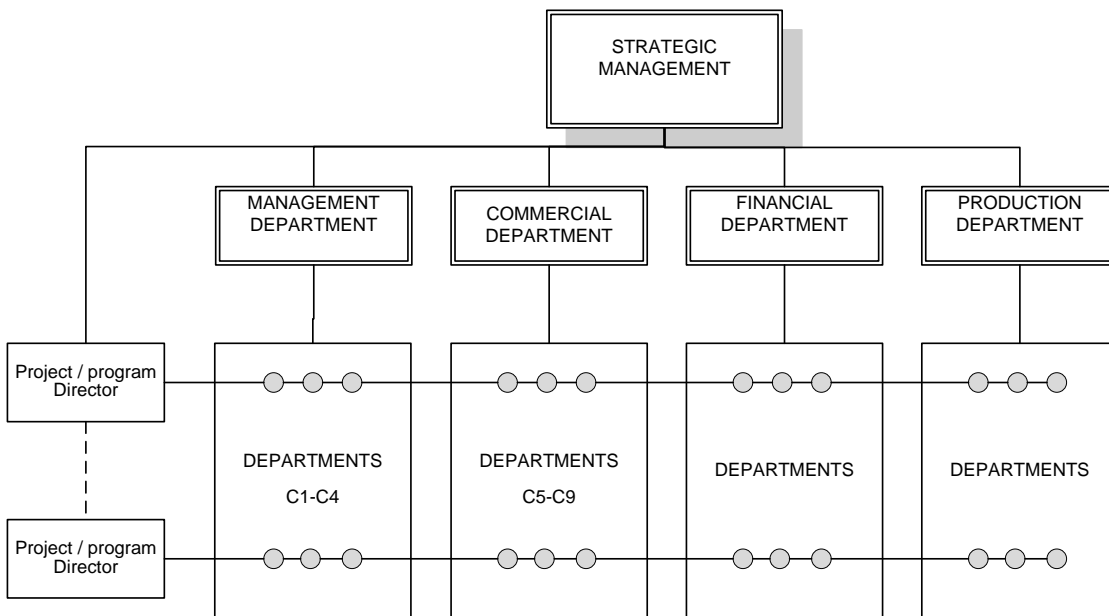


FIGURE 5 - PYRAMIDAL ORGANISATION CHART - HYBRID STRUCTURE  
Source: Authors

#### 4. CONCLUSIONS

We plead, through all the above considerations, to turn the company bylaw, the organisational chart, and the job descriptions into handy managerial tools so that any manager could use with a major outcome on the company's success. The new template for bylaw makes easy to analyse the organisational systems and therefore make easy to use reengineering as a method to enhance organisation's managerial performance. The bylaw is one of the managerial tools that confers discipline, rigour and order to work processes; its approach should be correlated with the organisational chart, with both being the result of an elaborated managerial reengineering. All these documents reflect the structure and the processes with their flow and through the connections in between and with other managerial components display the operational mechanisms of the organisation, the ones ensuring objectives are reached. The originality, realism, dynamism, accuracy, versatility are the characteristics that enhance their contribution to the management processes.

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