

**University Center Abdelhafid Boussouf-Mila**

**Faculty of Economics, Commercial &**

**Management Sciences**

**Lecture one: Company Law & Company Structure**



**Addressed To Second Year Students-Semester 2**

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# 1. Company Law

## Introduction to company law

Company law refers to the body of legal rules, regulations, and statutes that govern the formation, management, and dissolution of corporations or companies.

Its primary objective is to ensure transparency, accountability, and fairness in corporate activities while balancing the interests of various stakeholders, including shareholders, directors, employees, creditors, and the wider community.

**Formation of a Company:** The process of forming a company involves several crucial steps, such as choosing a suitable business structure (e.g., public, private, limited by shares, limited by guarantee), drafting the company's constitution, registering with the relevant regulatory authority, and issuing shares.

Each type of company structure has its own legal implications regarding liability, ownership, governance, and taxation.

**3. Corporate Governance:** Corporate governance refers to the system of rules, practices, and processes by which companies are directed and controlled.

Key components of corporate governance include the roles and responsibilities of directors and officers, shareholder rights, board structures, executive compensation, and mechanisms for ensuring transparency and accountability.

Effective corporate governance is essential for fostering investor confidence, promoting long-term sustainability, and minimizing conflicts of interest.

**4. Directors' Duties and Liabilities:** Breach of directors' duties can result in legal liabilities, including personal liability for financial losses incurred by the company or its stakeholders.

It's crucial for directors to understand their duties and obligations to fulfill their roles effectively and ethically.

**5. Shareholders' Rights and Remedies:** Shareholders are the owners of the company and have certain rights, such as the right to attend and vote at general meetings, receive

dividends, inspect corporate records, and bring derivative actions against directors for breaches of duty.

Shareholders also have remedies available to them in case of corporate wrongdoing, such as injunctions, damages, and orders for specific performance.

**6. Corporate Insolvency and Restructuring:** Directors play a pivotal role in the management and decision-making of a company. They owe fiduciary duties to act in the best interests of the company, exercise care, skill, and diligence, avoid conflicts of interest, and act within their powers.

## **2. Company Structure**

In the world of business, understanding company structure is crucial for entrepreneurs, investors, employees, and stakeholders alike. A company's structure defines its organization, hierarchy, decision-making processes, and relationships among its various components. In this lesson, we'll explore the key elements of company structure, its types, and the implications it has on business operations.

### **1. What is Company Structure?**

Company structure refers to the framework that defines the organization's internal hierarchy, roles, responsibilities, and communication channels.

It outlines how different parts of the organization are interconnected and how authority flows within the company.

### **2. Components of Company Structure:**

**Organizational Chart:** A visual representation of the company's structure, showing the hierarchy of positions and reporting relationships.

**Departments and Divisions:** Companies are often organized into functional departments (e.g., finance, marketing, operations) or divisions based on product lines, geographic regions, or customer segments.

**Chain of Command:** The formal line of authority and communication flows from top management down to frontline employees.

**Job Descriptions:** Clear outlines of roles, responsibilities, and expectations for each position within the organization.

Decision-Making Processes: Procedures for making strategic, operational, and tactical decisions within the company.

### **3. Types of Company Structure:**

**Functional Structure:** Organizes employees into departments based on specialized functions, such as finance, marketing, and production. It promotes efficiency and expertise but can lead to silos and communication barriers.

**Divisional Structure:** Groups employees into self-contained divisions or units based on products, services, geographic regions, or customer groups. It allows for greater focus and flexibility but can result in duplication of resources.

**Matrix Structure:** Combines elements of both functional and divisional structures, with employees reporting to multiple supervisors. It fosters collaboration and resource sharing but can lead to power struggles and conflicts.

**Flat Structure:** Has few or no layers of management between top executives and frontline employees. It promotes agility and quick decision-making but may lack clear career progression and accountability.

Hierarchical Structure: Follows a traditional pyramid-shaped hierarchy with clear lines of authority and control. It provides stability and clarity but can stifle innovation and creativity.

### **4. Factors Influencing Company Structure:**

**Size of the Company:** Smaller companies may adopt simpler, flatter structures, while larger organizations often require more complex hierarchical arrangements.

**Industry and Market Dynamics:** Different industries and markets may demand specific structures to meet unique challenges and opportunities.

**Organizational Culture:** The values, norms, and beliefs of the company influence its structure and decision-making processes.

**Technology and Innovation:** Advances in technology can reshape company structures by enabling remote work, virtual teams, and agile methodologies.

## **5. Importance of Company Structure:**

**Clarity and Efficiency:** A well-defined structure clarifies roles, responsibilities, and reporting relationships, leading to smoother operations and efficient decision-making.

**Alignment with Strategy:** The company structure should align with its strategic objectives, allowing it to effectively execute its business plans and adapt to changing market conditions.

**Employee Engagement:** Clear structures provide employees with a sense of purpose, direction, and career progression, fostering motivation and engagement.

**Adaptability and Resilience:** Flexible structures enable companies to respond quickly to market shifts, innovations, and competitive threats, ensuring long-term viability and success.

## **Conclusion:**

Understanding company structure is essential for building resilient, agile, and successful organizations. By recognizing the various components, types, and factors influencing structure, businesses can design systems that promote collaboration, innovation, and growth. Whether you're starting a new venture or managing an established enterprise, paying attention to company structure can make a significant difference in achieving your strategic objectives and fulfilling your organizational mission.

## **Key Takeaways:**

1-Company structure defines the organization's internal hierarchy, roles, and communication channels.

2-Types of company structure include functional, divisional, matrix, flat, and hierarchical.

3-Factors influencing company structure include size, industry, culture, technology, and strategy.

4-A well-designed company structure promotes clarity, efficiency, alignment with strategy, employee engagement, and adaptability.

## **Discussion Questions:**

How does the company structure impact organizational culture and employee behavior?

Can you identify any examples of companies that have successfully adapted their structure to changing market conditions? What were the key factors driving their success?

What are the potential challenges or drawbacks associated with each type of company structure?

How can businesses mitigate these challenges?

## ***Terminology***

1. Company - الشركة
2. Shareholder - مساهم
3. Director - مدير
4. Limited Liability Company (LLC) - شركة محدودة المسؤولية
5. Public Company - شركة عامة
6. Private Company - شركة خاصة
7. Partnership - شراكة
8. Corporation - شركة مساهمة
9. Memorandum of Association - مذكرة التأسيس
10. Articles of Association - نظام الشركة
11. Board of Directors - مجلس الإدارة
12. Share Certificate - شهادة حصة
13. Dividend - توزيع الأرباح
14. Annual General Meeting (AGM) - الجمعية العامة السنوية
15. Resolution - قرار
16. Incorporation - التأسيس
17. Registered Office - مكتب مسجل
18. Capital - رأس المال
19. Memorandum and Articles of Association - مذكرة ونظام الشركة
20. Debenture - سند دين
21. Securities - أوراق مالية
22. Bylaws - اللوائح الداخلية
23. Creditor - دائن
24. Liquidation - التصفية
25. Merger - الاندماج

26. Acquisition - الاستحواذ
27. Proxy - وكيل
28. Fiduciary Duty - واجب الولاء
29. Compliance - الامتثال
30. Insider Trading - التداول الداخلي
31. Company Law and Company Structure - قانون الشركات وهيكل الشركات
32. Securities and Exchange Commission (SEC) - الهيئة العامة للأوراق المالية والبورصات
33. Corporate Governance - حوكمة الشركات
34. Articles of Incorporation - مواد التأسيس
35. Board of Trustees - مجلس الأمناء
36. Stockholder's Equity - حقوق المساهمين
37. Corporate Social Responsibility (CSR) - المسؤولية الاجتماعية للشركات
38. Compliance Officer - ضابط الامتثال
39. Annual Report - التقرير السنوي
40. Initial Public Offering (IPO) - الطرح الأولي للأسهم
41. Proxy Statement - بيان الوكيل
42. Good Standing - حالة جيدة
43. Securities Exchange - بورصة الأوراق المالية
44. Share Repurchase - إعادة شراء الأسهم
45. Board Resolution - قرار مجلس الإدارة
46. Stock Certificate - شهادة سهم
47. Insider - شخص داخلي
48. Minority Interest - الفانض الأقلتي
49. Registered Agent - الوكيل المسجل
50. Memorandum of Understanding (MoU) - مذكرة فهم