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**QUALITY SYSTEM
CONDITION FOR
SUCCESSFULL BUSINESS
AND COMPETITIVENESS**

PROCEEDINGS



CENTER FOR
QUALITY
KRAGUJEVAC



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P R E F A C E

Dear fans of quality,

Association for quality and standardization of Serbia in cooperation with the Center for quality of Faculty of Engineering Kragujevac, Center for Quality Faculty of Mechanical Engineering Podgorica, College of technical studies & technology Krusevac, Middle and South East European countries Quality Initiative, with support of Ministry of Education, Science and Technology, Accreditation Body of Serbia and Institute for Standardization of Serbia, continues the tradition of improvement quality infrastructure in the Republic of Serbia by organizing the 19th National and 5th international conference QUALITY SYSTEM CONDITION FOR SUCCESSFUL BUSINESS AND COMPETITIVENESS.

At this conference will be discussed about many topics, and the most significant we emphasize improvement of quality infrastructure, development and establishment of IMS - from practice to practice, path to business excellence, knowledge management, quality culture, innovation and quality, quality in the public sector, motivation and quality, audit and certification.

The significance of this event is provided by roundtable discussions:

- ☞ Examples of good practice - the strengths of the organization*
- ☞ Culture, Risks, Opportunities, Standards*
- ☞ How safe is the food market Serbia*

These round tables make it possible to better understand the importance and impact of quality on competitiveness of organizations, businesses and the region as well as to discuss issues of importance quality improvement infrastructure in Serbia.

As usual, articles published in the Proceedings gives the opportunity to entrepreneurs to find the right strategy, policy, to define objectives in the field of quality management system, environmental management system, and occupational health and safety management system in order to strengthen its competitive position on the market and maximize satisfaction customers / service users

On behalf of the Organizing Committee of the 19th National and 4th International scientific conference to thank to all article authors and co-authors, co-organizers, sponsors, participants from Serbia and abroad, and all who have helped to make this conference successfully.

President of the Organizing Committee

Professor Zoran Punoševac PhD

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XIX national and V international scientific conference

QUALITY SYSTEM CONDITIONS FOR SUCCESSFUL BUSINESS AND COMPETITIVENESS

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THE RELATIONSHIP BETWEEN MANAGEMENT AND LEADERSHIP IN QUALITY MANAGEMENT SYSTEMS

Izv.prof.dr.sc. Krešimir Buntak¹

Dr.sc. Ana Globočnik Žunac²

Vesna Sesar, MBA, univ.spec.oec.³

Abstract: With the latest revision of ISO 9001:2015 leadership has become extremely important. This is particularly the case in changing the title of Chapter 5 which was "Responsibility of Management" in the revision of the ISO 9001 in 2008 while in the new one the title is Leadership. By that the perception of the actual functioning of the system management and the concept of quality management in the direction of substitution of the place and role of leaders and managers in the organization has been confused. The aim of this paper is to point out the relationship between management and leadership, especially from the aspect of quality management system requirements.

Keywords: QMS, management, leadership, quality

JEL Klasifikacija: M Business Administration and Business Economics M1 Business Administration M19 Other

1. INTRODUCTION

Quality management systems as a modern management concept with its development and new audits brought a number of changes and demands in the direction of new view of the management. Particularly this is reflected in the requirements for process access and risk management. As well in the demands the area of leadership is separated and relations according to terminology within management bring confusion. The aim of this paper was to explore the concepts of leadership and management and to put them into relationship, and then to study the role and significance of leadership and management in quality management systems by analyzing the requirements of the ISO 9001: 2015 standard and studying the explanations in ISO 9000: 2015 standard that gave basic principles and terminological dictionary.

2. MANAGEMENT, LEADING AND LEADERSHIP

¹ Krešimir Buntak, University North, Koprivnica, Republika Hrvatska, kresimir.buntak@unin.hr

² Ana Globočnik Žunac, University North, Koprivnica, Republika Hrvatska, agzunac@unin.hr

³ Vesna Sesar, University North, Koprivnica, Republika Hrvatska, vesna.sesar@unin.hr

The concepts of management, leading and leadership are in the focus of business literature and professional articles for the past fifteen years. Over the last five years, a special emphasis has been placed on the importance of leadership and the importance of management and the real interdependence and significance of these two roles in the organization is often ignored. The most frequent association on managers and leaders is the picture of powerful and influential people that lead great conquering armies or powerful corporate empires, and with their influence, power of authority and position they influence the future of nations. In this paper, the focus is on managers and leaders of business regardless of their strength, size, and business scope. As within the concepts of management, leading and leadership today still dominate semantic confusion, the concepts are briefly clarified with the key premise that this clarification is viewed in the context of a business entity.

2.1. Conceptual definition of management

Management is a scientific discipline and, accordingly, a number of theories have emerged that can be divided into two large groups depending on the time in which they originate. These are traditional theories and modern theories (according to S. Pfeifer see Figure 1).

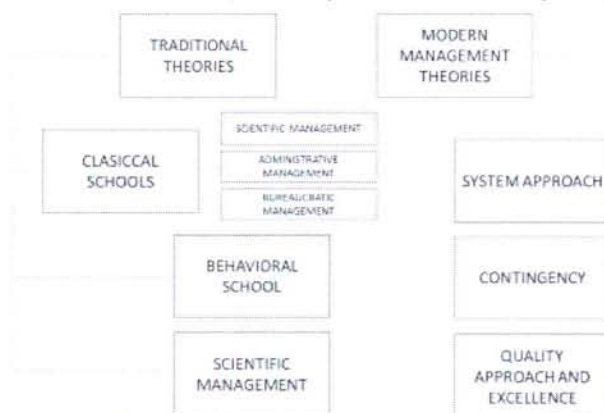


Figure 1. History of management theories

Source: Pfeifer, S., Internal script for Management class. Faculty of Economic Osijek, Osijek, 2012.

Traditional managerial theories are those common in business practice. They represent the foundation upon which other theories are made. Although management practice began long ago, formal studies started only around the 19th century. Within the traditional theories, three schools are being developed: classical school, behavioral school and science management. Each of the traditional approaches is inherent to the time in which it originated and it happened precisely because it followed the trends in business and society of that time. If we look at all the traditional approaches more closely, it is possible to conclude that none of them is sufficiently elaborated to function in practice. In the 50s of the twentieth century, modern management theory emerged in response to changes in the environment of the company. Changes in the company's environment and changes in the characteristics of the company's business success factors are changing the problematic issues of management theory and practice (Zekić, 2007, p.83). The most important approaches that are developed within modern management theory are: system approach, contingency approach, and access to quality and excellence. Modern theories have a very important meaning, because these theories are set in response to the requirements of the business environment and have the ability to function in a modern environment. There is a large number of management definitions and the very concept of management, as well as the managers are the subject of a large number of research and professional papers. Taking into account the definitions so far, it can be said that management is the process of shaping, directing and aligning all the factors of the manufacturing and service process in which individuals, working together in the organization efficiently and effectively realize the selected goals in performing functions of planning, organizing,

HR managing, managing and controlling. It is important to emphasize that this process takes place in a very dynamic environment of constant change and with the use of limited resources. If we take this into account, from all above mentioned, some of the key management features are: working with others and using others, company goals, efficiency versus effectiveness, resource constraints, changing environment (Figure 2)

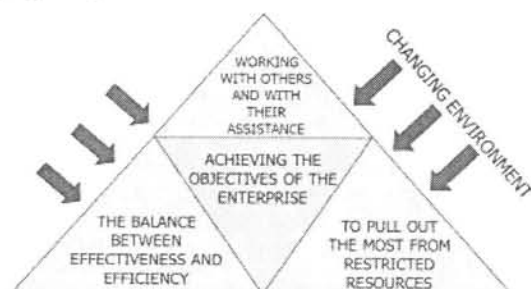


Figure 2. The key aspects of process management

Source: Kreitner, R., *Management, Fourth Edition*, Houghton Mifflin Company, Boston, 1989., str. 10

Management functions that were developed with the concepts of management and management thinking, but no drastic changes have been made, and the emphasis on the function from commanding to the function of motivation was changed (Buble 2011, p. 7). Three key concepts were introduced during the 20th century, beginning with H. Fayol at the beginning, P. Drucker in the middle, and Champy at the end (Champy, 1995).

H. Fayol (1920.)	P. F. Drucker (1961.)	Champy (1994.)
1. Planning	1. Setting objectives	1. Mobilizing
2. Organizing	2. Organizing	2. Enabling
3. Commanding	3. Motivation and communication	3. Defining
4. Coordinating	4. Measurement and interpretation of performance	4. Measuring
5. Controlling	5. People development	5. Communicating

Figure 3. Development of concepts and management functions

Source: Buble, M, *Business leading, M.E.P., Zagreb, 2011, p 7*

According to this and based on the numerous other researches of the same issue, most experts agree that management consist of five basic functions: Planning, Organizing, Staffing, Leading and Controlling.

2.2. Leading

Leading is one of the five basic management functions and most common in the lower management levels. This function ensures that people are directed towards the same goal, meaning that this function has an interpersonal character and character of non-transferability unlike other management functions. This is reflected in the fact that only that function can not be realized by the formation of an adequate organizational unit, and the leadership function is realized solely by mediating the individual - manager even in collective decision-making situations (Buble, 2011, p.11). Defining the management function starts from the part of the management definition saying that manager is achieving his goals with and by others. When managers motivate their employees they help in resolving work group conflicts, they affect individuals or teams in terms of their work, they select the most effective channels of communication or act in any way on the behavior of employees, they perform leadership (Robbins et al., 2008, p. 12). In the context of many definitions,

leadership can be defined as a managerial function consisting of a set of processes aimed at encouraging employees to work together to achieve company goals (Buble, 2011, p.12). According to the definition, leadership is a complex function with a series of activities that can be categorized into four groups: leadership (as a process or feature), motivation, interpersonal relations and communication. Here as a process it is a narrower concept than management and part of it as one of the five basic functions.

2.3. Conceptual definition of leadership

Defining leadership is not a simple task, and perhaps it is best to go ahead with the words of scientist Bennis who, thinking about the definitions of leadership over time said: "...it seems that the concept of leadership is always confusing or is occurring in another form, so as to lure us by its complexity. So we invented countless expressions that we have to deal with ... and still the concept is not sufficiently defined" (Bennis, W., 1959, pp. 259-260). Along with often referring and defining leadership as a feature and process (Figure 4), we use the term leadership for a group of people who perform the leading functions in the organization (Buble, 2011, p 17). In this way, management and leadership are treated as synonyms and are used in terms of terminology alternately in order to designate a management structure in the enterprise. Buble by this points to the fact that management and executive management are treated as corporate leadership, and the same applies when individuals who are current managers are treated as leaders of different organizational units and teams in the enterprise. Of course, besides all the above mentioned leadership is considered to be a scientific discipline as well as management.

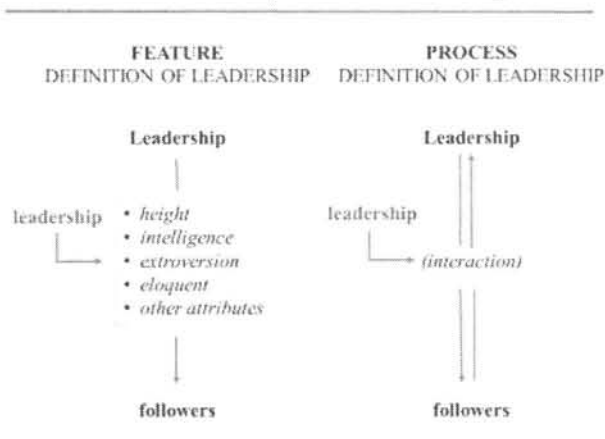


Figure 4. Different perspectives on leadership

Source: Northouse, P., G, *Leadership: theory and practice*, MATE, Zagreb, 2011, p 5

According to Northouse, and based on the key components of leadership taken out of the current leadership definitions, we define leadership as a process in which an individual influences the group in order to achieve a common goal. Key components need to be identified: leadership is a process, leadership involves influence, leadership takes place in the context of the group, and leadership involves achieving the goal. Consequently, and based on many other definitions of leadership, it is important to define key leadership elements as well. The most commonly mentioned elements (Figure 5) are the characteristics of the leader, the characteristics of the followers, and the characteristics of the situation, although the fourth element is often associated with goals and tasks.

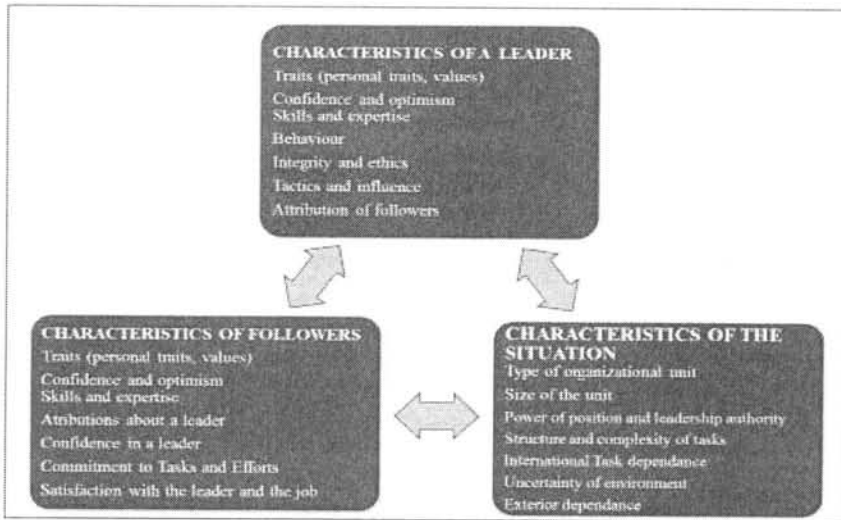


Figure 5. Key components of leadership

Source: Buble, M. *Business leadership*, M.E.P., Zagreb, 2011, p 20

Figure 5 shows the most frequently mentioned leadership elements in previous research, but it is important to note that there is interaction and interdependence between these key elements. This means that the ability or inability of a leader, with the relevant knowledge, skills and personality, just like the ability or inability of followers who possess or lack the knowledge and skills and who may and may not be motivated, and a stable or turbulent environment significantly influences leadership. Actually they determine the success or failure of leadership in each particular situation (Sikavica et al., 2008, p 471). Similar to defining management, many of the scientists, researchers and experts have defined key functions for leadership, and for further study in this paper, an integrated, holistic model (Gill, 2006, pp. 91-92) containing five leadership functions will be used:

- Vision and mission. Effective leaders define meaningful communication and an attractive vision of the future, and the mission or purpose the organization will follow.
- Shared values. Effective leaders identify, display, and affirm values that support the vision and mission shared by the followers.
- Strategy. Effective leaders develop, take responsibilities and guarantee implementation of rational strategies that enable people to follow vision, mission, and maintain the value they share.
- A power of attorney. Effective leaders empower people in what they can do and what they should do.
- Influence, motivation, inspiration. Effective leaders influence, motivate and inspire people in doing they want to do and in what they should do.

Based on this, new leadership models were developed by linking the findings of various theoretical and experimental researches, and by applying different examples from practice.

2.4. Relationship of management and leadership

Historically, leadership and leadership research has emerged much earlier than studying management or management concept at all. The beginnings of the study of leadership arise at the time of old Greece at Aristotle, while the term management dates back to the beginning of the twentieth century with the emergence of industrialization and industrial society. But the understanding of key management functions so far has undergone a serious transformation and management has been evaluated especially in the field of staffing and coordination. So today, instead of the ordering function, we have a much more sophisticated function of human resource

management as well as instead of coordinating today there is a complex function of leadership. Many authors perceive leadership and management relationships in different ways, and their attitudes can be divided into four general (Buble, 2011, pp. 30-34):

1. Management and leadership are qualitatively different and mutually exclusive
2. Management and leadership are different but not mutually exclusive,
3. Management and leadership are similar,
4. Leadership is a component of management.

Kotter comparing the functions of leadership and management (Figure 6), concluded that there is a fair difference between these functions (Kotter, 1990, pp. 3-8).

MANAGEMENT <i>Causes order and consistency</i>	LEADERSHIP <i>Causes change and movement</i>
<i>Planning and finances</i> • Determining the plan • Determining deadlines • Resource allocation	<i>Setting directions</i> • Creating a vision • Clarification of the complex • Determination of strategy
<i>Organizing and caring for staff</i> • Structuring • Tasks assignment • Determining rules and procedures	<i>Directing people</i> • Explaining the Goals • Demand for devotion • Team development and coalition
<i>Monitoring and problem solution</i> • Development of incentives • Generating creative solutions • Corrective actions	<i>Motivating and encouraging</i> • Encouraging and giving energy • Transferring authority to subordinates • Satisfying the needs

Figure 6. Functions of Management and Leadership

Source: Adjusted from Kotter, J., *A Force for Change: How Leadership Differs From Management*, New York: Free Press, 1990, p 3-8

According to Kotter, the main function of management is to enable order and consistency, while in leadership the primary function causes change and movement. Regardless of the variety and ultimately the almost contradictory tendencies, in management to seek order and stability, and in leadership pursuing the search for adaptive and constructive change, Kotter concludes that although leadership and management vary in scope, both are necessary for the organization's advancement. He notes that if the organization has a strong management without leadership, the result may be a congestion and burden by the administration, whereas if the organization has a lot of leadership without management, the result can be meaningless or imprecise change for the sake of change itself. Therefore, if an organization wants to be effective it is necessary to develop both components, capable management and skillful leadership. Apart from Kotter, Bennis and Nanus talk about differences in how to manage means how to perform activities and routines, and to lead means to influence others and to create a vision of change. They often use the phrase "Managers are the ones who do the right way, and the leaders are the ones who do the right things" (Benis and Nanus, 1985, p 221).

Rost believes that leadership is a relationship of multidimensional influence and a management is one-way relationship of authority. While leadership engages in developing mutual purposes, management is focused on aligning activities with the purpose of doing business. Rosta thinks that leaders and followers work together to create true change, and managers and subordinates join forces to sell goods and services (Rost, 1991, pp. 149-152). Drawing towards the hypothesis of diversity, it must be said that although there are clear differences between management and leadership, there is a part of overlapping as well as compatibility with special emphasis on the necessity of both roles to ensure the success and competitiveness of organizations or businesses.

3. RELATIONSHIP OF MANAGEMENT AND LEADERSHIP WITHIN THE QUALITY MANAGEMENT SYSTEMS

Revision of the norms grade 9, especially ISO 9000 and ISO 9001 standards, special attention was given to the concept of Leadership and Leader, and at surprising speed, the term leadership became the concept that began to be used in the part related to the same term and naturally much more in the part related to the concept of management. Accordingly, an overview of the ISO 9001: 2008, ISO 9001: 2015 and ISO 9000: 2015 standards was carried out as for the requirements and terminology in terms of the concept of management and leadership.

3.1. Analysis of ISO 9000: 2015 Standards from the aspect of Leadership and Management

The starting point for Understanding Quality Management System (QMS) is definitely the ISO 9000 Standard based on the interpretation of the TC 176 ISO organization where in the foreword of the Standard, stands: "This International Standard provides the basic concepts, principles and vocabulary of the Quality Management System (QMS) and gives fundamentals for other Standards of QMS". The purpose of this International Standard is to help the user understand basic concepts, principles and terms used in quality management so that they can effectively and effectively apply QMS and gain value from other QMS Standards. It shows a well-defined QMS based on a framework that combines well known basic terms, principles, processes and resources related to quality, with the aim to help organizations in achieving their goals. It is applicable to every organization regardless of size, complexity, and business model. Standard goal is to increase the organization's awareness of its duties and obligations in meeting the needs and expectations of customers and stakeholders as well as increasing their satisfaction with its products and services. "(ISO 9000, 2015). Accordingly, analyzing and searching about concepts of leadership and management, the first thing that can be found is relation to the basic principles of QMS where one of total seven fundamental principles is precisely the leadership (regarding to new revisions since till this revision of the class 9 Standard where used eight fundamental principles). Below is given a full text of the Standard related to the principle of leadership:

2.3.2 Leadership

2.3.2.1 Statement

Leaders at all levels establish unity of purpose and direction and create conditions in which people are engaged in achieving the organization's quality objectives.

2.3.2.2 Rationale

Creation of unity of purpose and the direction and engagement of people enable an organization to align its strategies, policies, processes and resources to achieve its objectives.

2.3.2.3 Key benefits

Some potential key benefits are:

- increased effectiveness and efficiency in meeting the organization's quality objectives;
- better coordination of the organization's processes;
- improved communication between levels and functions of the organization;
- development and improvement of the capability of the organization and its people to deliver desired results.

2.3.2.4 Possible actions

Possible actions include:

- communicate the organization's mission, vision, strategy, policies and processes throughout the organization;
- create and sustain shared values, fairness and ethical models for behavior at all levels of the organization;
- establish a culture of trust and integrity;
- encourage an organization-wide commitment to quality;
- ensure that leaders at all levels are positive examples to people in the organization;
- provide people with the required resources, training and authority to act with accountability;
- inspire, encourage and recognize the contribution of people.

In the context of explaining leadership in the Standard, point 2.3.2. leadership represents a group of people that executes key functions in organization, which was already said in heading 2.3 of this paper. The focus is placed on managerial activities that are integrated with the key leadership tasks and functions. Particularly this can be seen in point 3 of the Standard by Terms and Definitions, point 3.1 Terms related to persons, point 3.1.1 defining management with remarks related to understanding of management functions:

3 Terms and definitions

3.1 Terms related to person or people

3.1.1 top management

person or group of people who directs and controls an *organization* (3.2.1) at the highest level

NOTE 1 to entry: Top management has the power to delegate authority and provide resources within the organization.

NOTE 2 to entry: If the scope of the *management system* (3.5.3) covers only part of an organization, then top management refers to those who direct and control that part of the organization.

NOTE 3 to entry: This constitutes one of the common terms and core definitions for ISO management system standards given in *Annex SL of the Consolidated ISO Supplement to the ISO/IEC Directives, Part 1*.

In the sequence of the Standard in 3.3. Terms that are related to activities and point 3.3.3. Management; it is defined as a coordination of activities for conducting and supervising the organization. Since this aspect is very relevant to the subject, the whole text of the Standard is given hereafter:

3.3.3 Management

Coordinated activities to direct and control an *organization* (3.2.1)

NOTE 1 to entry: Management can include establishing *policies* (3.5.8) and *objectives* (3.7.1), and *processes* (3.4.1) to achieve these objectives.

NOTE 2 to entry: The word "management" sometimes refers to people, i.e. a person or group of people with authority and responsibility for the conduct and control of an organization. When "management" is used in this sense, it should always be used with some form of qualifier to avoid confusion with the concept of "management" as a set of activities defined above. For example, "management shall..." is deprecated whereas "top management (3.1.1) shall..." is acceptable. Otherwise different words should be adopted to convey the concept when related to people, e.g. *managerial* or *managers*.

3.2. Analysis of Standard ISO 9001:2015 from the aspect of leadership and management

Besides adopting the new structure, the new revision of the ISO 9001: 2015 Standard as a certification standard, brought some new directions of thinking, and adopted seven fundamental principles slightly modified from the previous eight that were adopted in previous revisions. This new Standard also applies the basic principle of "leadership" that was defined in accordance with ISO 9000: 2015, but the significance of leadership is also defined in a special chapter of the Standard in point 5. With the desire for better understanding of this requirement, point 5 is given here entirely:

5 Leadership

5.1 Leadership and commitment

5.1.1 General

Top management shall demonstrate leadership and commitment with respect to the quality management system by:

- b) ensuring that the quality policy and quality objectives are established for the quality management system and are compatible with the context and strategic direction of the organization;
- c) ensuring the integration of the quality management system requirements into the organization's business processes;
- d) promoting the use of the process approach and risk-based thinking;

- e) ensuring that the resources needed for the quality management system are available;
- f) communicating the importance of effective quality management and of conforming to the quality management system requirements;
- g) ensuring that the quality management system achieves its intended results;
- h) engaging, directing and supporting persons to contribute to the effectiveness of the quality management system;
- i) promoting improvement;
- j) supporting other relevant management roles to demonstrate their leadership as it applies to their areas of responsibility..

NOTE: Reference to "business" in this International Standard can be interpreted broadly to mean those activities that are core to the purposes of the organization's existence, whether the organization is public, private, for profit or not for profit.

5.1.2 Customer focus

Top management shall demonstrate leadership and commitment with respect to customer focus by ensuring that:

- a) customer and applicable statutory and regulatory requirements are determined, understood and consistently met;
- b) the risks and opportunities that can affect conformity of products and services and the ability to enhance customer satisfaction are determined and addressed;
- c) the focus on enhancing customer satisfaction is maintained.

5.2 Policy

5.2.1 Establishing the quality policy

Top management shall establish, implement and maintain a quality policy that:

- a) is appropriate to the purpose and context of the organization and supports its strategic direction;
- b) provides a framework for setting quality objectives;
- c) includes a commitment to satisfy applicable requirements;
- d) includes a commitment to continual improvement of the quality management system.

5.2.2 Communicating the quality policy

The quality policy shall:

- a) be available and be maintained as documented information;
- b) be communicated, understood and applied within the organization;
- c) be available to relevant interested parties, as appropriate.

5.3 Organizational roles, responsibilities and authorities

Top management shall ensure that the responsibilities and authorities for relevant roles are assigned, communicated and understood within the organization.

Top management shall assign the responsibility and authority for:

- a) ensuring that the quality management system conforms to the requirements of this International Standard;
- b) ensuring that the processes are delivering their intended outputs;
- c) reporting on the performance of the quality management system and on opportunities for improvement (see 10.1), in particular to top management;
- d) ensuring the promotion of customer focus throughout the organization;
- e) ensuring that the integrity of the quality management system is maintained when changes to the quality management system are planned and implemented.

From the text it can be concluded that quality management system is an important aspect of leadership in terms of defining strategic elements, vision, values, business policies and mission, as well as for defining the roles of responsibility and authorizations in the organization. All these elements are an integral part of the leadership role and are analyzed in Chapter 2.3 of this paper. All other points and requirements are related to management and managing.

4. CONCLUSION

The research and analysis of the area of leadership and management has shown various results as reflection on direction of thinking over their role and relationship. From the point of view of understanding the terms of leadership and management it can be concluded that terms are often

identified as being synonyms that is in fact the wrong approach because each of the terms has its place and role in managing the organization and mutually complement each other. It is also important to note that for this work the analysis was carried out from the aspect of the management of the enterprise or the business entity. Especially the focus of this paper was on the relationship between management and leadership in quality management systems. After conducting the analysis it can be concluded that the concept of leadership within quality management systems refers to a group of people performing the leading functions in the organization referred to in point 2.3 of this paper and focuses on managerial activities integrated with key leadership tasks and functions. It can also be concluded that quality management systems is an extremely important aspect of leadership in terms of defining strategic elements, as visions, values, business policies and missions, as well as defining the roles of responsibilities and authorizations in the organization as defined in point 5 of ISO 9001: 2015. All other parts of the norm as well as the requirements are related to management and management of the organization in a quality manner ensuring competitiveness as the main general objective of each business entity.

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