

# PERFORMANCE ASSESSMENT OF CLUSTER MANAGEMENT WITH REGARD TO THE PLANNING OF THE HUMAN RESOURCES DEVELOPMENT CONCEPT AND MARKETING COMMUNICATION

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## Abstract

The development of a cluster depends to a large extent on the quality of its management, the structure of the member base and their mutual interaction. At the same time, we can prevent the risks associated with the cooperation and partnership of several independent economic market players by taking into account the experience of other clusters. The model of a functional business network consists also includes a group of recurring problems related to the life cycle of a cluster. Following the above facts, the paper describes the process of assessing the excellence of cluster management by experts from the European Secretariat for Cluster Analysis in accordance with international standards. At the same time, the paper seeks to identify the challenges which should be taken into account by the management of the interest group. The measures taken should reflect the changing market environment and aim at improving the competitiveness of the regions concerned while taking into account a long-term strategy for the development of human resources in the cluster and its promotion in the media.

**Key words:** cluster management, human resources, communications, competitiveness

**JEL Code:** M12, M31, O15

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## Introduction

Over the last twenty years, the concept of establishing and maintaining clusters has become an integral part of the growth of modern market economies in most developed countries. The positive effects of establishing a cluster on the development of industry, trade and tourism have resulted in many countries in thoughtful support for activities aimed at supporting networking of business entities. In addition, the European Commission, through the relevant institutional bodies of the Member States of the European Union, is working to involve the existing cluster organizations in the process of assessing cluster management excellence by using the European Secretariat for Cluster Analysis' (ESCA) benchmarking methodology

(Butko et al., 2020). The ESCA's methodological approach itself does not focus on the outcome of the assessment of individual cluster organizations alone - it uses the well-known European soft law policy present in almost every single European economic and employment policy. An emphasis is placed on individual national levels and subsequent learning from the results of the comparison of cluster organizations in European and non-European countries.

## **1 Methods**

The aim of the paper is to describe the peculiarities associated with the process of assessing the excellence of cluster management using a benchmarking methodology according to ESCA criteria. At the same time, we are interested in presenting the results and recommendations to clusters to help them boost their performance and the quality of their management. The individual parts of the paper follow a logical structure and refer to each other. In order to describe the process of cluster management quality assessment as faithfully as possible, we used analytical-synthetic research methods, as well as induction, deduction and comparative research methods. The information published not only in domestic but also in foreign professional literature helped to define the key terminology.

## **2 Evaluation of cluster management according to ESCA methodology**

The aim of the benchmarking methodology used by trained experts of the European Secretariat for Cluster Analysis is to provide an objective overview of the performance of individual cluster organizations and to create a relevant comparative analysis to identify certain phenomena in the formation and operation of cluster organizations (e.g. identification of the most common obstacles to cluster development, impacts on third parties in relation to established partnerships, etc.). Since 2008, more than 1,000 cluster organizations from more than 35 European and non-European countries have been involved in the benchmarking assessment process (Meshkov, 2020).

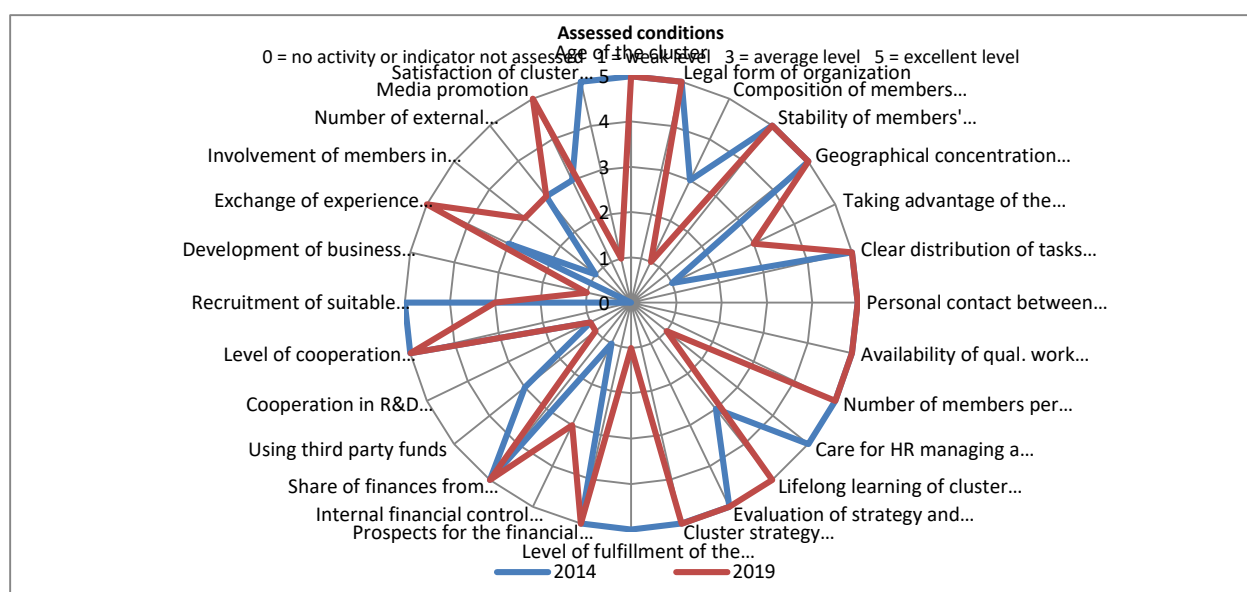
In order to maintain the required degree of relevance of the results obtained based on the benchmarking methodology, cluster organizations are considered to be networks of companies and research and development institutions (including universities) which work in a common field or line of business, are centered in a specific geographic area/ region, have an institutionalized form in accordance with national law and are managed through a structure typical for cluster organizations. However, the cluster may also involve other stakeholders, such as public institutions or agencies (Tóth & Mura, 2014). The management structure of a

cluster organization is considered to be a person or group of persons at appropriate levels of management who coordinate and ensure the establishment and implementation of internal and external relations with cluster partners, similar to the objectives and tasks defined in the founding documents (Korauš et al., 2020).

The presented benchmarking methodology is based on the analysis and comparison of internal structures and processes of cluster organizations and products and services they offer with the same or similar cluster organizations active in the same or similar industries. In practice, the benchmarking methodology is based on the provision of information by the management structures of the cluster organization to an external ESCA expert, assuming compliance with the principles of completeness, truthfulness and objectivity of the information provided. Failure to comply with these principles may not only distort information on the current state of management of the cluster organization, but also affect subsequent comparisons with other cluster organizations (Machová et al., 2015). In this respect, benchmarking helps determine the relative position of the cluster in a competitive economic market and also assess the performance of its management. The assessment of the management performance of the cluster organization is carried out at three levels expressed by three different colors - green, yellow and red. The green color declares an excellent assessment outcome (excellence in meeting the evaluation criterion), with some minor improvements recommended, if possible. The yellow color declares a reasonable (appropriate) degree of fulfillment of the assessment criteria, indicating there is a room for improvement. The red color indicates that certain minimum criteria regarding the optimal management of the cluster organization are not met, and it is therefore recommended to consider implementing remedy measures in specific areas (Kuksa et al., 2019). The process of evaluating the performance of cluster management is finally completed after certificates and labels of excellence based on meeting the specified conditions are awarded. Cluster organizations are awarded a bronze, silver or gold label according to the degree and quality of compliance with the evaluation criteria for a period of two years. These labels are generally accepted in the international professional environment (Sopoligová & Pavelková, 2017). The bronze label, as the first level, does not primarily constitute an assessment of the quality of the management of a cluster organization, but rather shows an effort of a cluster to improve and work on itself and its management. The bronze label presupposes long benchmarking talks between the cluster organization and the ESCA expert. The talks focus on 36 indicators from six basic areas, including cluster structure, management, financing, strategy, services provided, networking with other actors in the innovation process, internal dynamics and

internationalization. Having the silver label of excellence shows that the cluster organization has quality management and that it implemented measures and processes to improve its internal environment based on the feedback received (when awarded with the bronze label of excellence). The silver label of excellence is also awarded to cluster organizations that do not meet the relevant criteria of the gold label of excellence, but are interested in improving its management processes. The silver label of excellence is awarded after the benchmarking self-assessment of the cluster organization and the assessment of the implementation of the recommended measures has taken place. The award of the gold label of excellence as the third evaluation level already demonstrates the highest quality of management of the cluster organization and the fulfillment of the set evaluation criteria at the highest level, with the assumption of further progressive growth and improvement. In principle, the gold label of excellence is awarded to cluster organizations with a highly sophisticated way of managing their internal and external processes. As with the previous label, however, in this case only 31 indicators are evaluated. These focus on the structure of the cluster, its management, financing, strategy, services provided, etc.. The gold label of excellence is awarded after a multi-day assessment process by ESCA experts and a detailed analysis of the fulfillment of these criteria (Burlina, 2020). An illustrative example of selected evaluation indicators of the cluster organization according to the ESCA methodology and its direction based on repeated evaluation can be seen in Figure 1.

**Fig. 1: Development of the cluster organization taking into account the achieved level of selected indicators under the assessment according to the ESCA methodology**



Source: Own processing (2020)

### **3 Starting points for further progressive growth of cluster organizations**

Based on the conclusions of the evaluation reports prepared by the European Secretariat for Cluster Analysis, we can point out to the prevailing development trends and the changing roles of cluster management due to the evolving market environment. Progress in a positive direction can be expected provided that the priorities of the persons managing the cluster organization will shift towards the structure of cluster members in the context of regional potential, human resources development concept, implementation of the cluster organization's long-term goals, financial stability and media promotion.

#### **3.1 The structure of cluster members in the context of regional potential**

The variability of potential actors raises the need for those responsible for the management of the cluster organization to further define the key groups of entities with a significant impact and at the same time high expectations for its proper functioning. The absence of significant entities and stakeholders involved in the research and development can have a negative impact on the cluster's own innovation efforts. The emphasis must therefore be placed on the selection and motivation of suitable members so as to fulfill the plans of the cluster organization. The research showed that in order to ensure effective cooperation within the cluster and subsequently achieve positive effects on the whole region, the cluster organization shall include at least 40 entities (Mura et al., 2019). There are, however, various opinions on the right number of contributing and non-contributing (investing and non-investing) members participating in the activities of a cluster organization. In general, it is recommended that at least 80% of the members repeatedly contribute and take part in the activities of the cluster. There are several ways in which a cluster member can be active, for example payment of membership fees, regular additional financial, in-kind or other support. In relation to the structure of the members of the cluster organization, it is very important that the management seeks to acquire an increased number of industrial companies in an effort to expand the portfolio and at the same time facilitate the development of new products. The cluster organization having more than 70% of contributing members from the industry (small, medium and large enterprises) becomes a highly valued and respected cluster organization. In addition, the participation of at least one contributing research institution, one contributing educational institution and at least one contributing company active in marketing or a public corporation boosts the image of the entire cluster (Wilson, 2019).

Understanding the reasons for joining the activities of the cluster organization allows managers to plan an appropriate communication strategy to deepen the internal discussion and find suitable solutions to problems. In particular, personal communication with stakeholders is a valuable tool for early identification of potential new threats, as well as opportunities to expand the market share, learn alternative methods of managing complex conflicts or get acquainted with the current state of networking in an international context. The ability to develop individual relationships in this way down to the level of a stable and strong friendship is undoubtedly the best way to win the trust of business entities and important stakeholders (Uhlerová, 2020). Ultimately, we shall also highlight the importance of a regular survey of members' satisfaction with the management and direction of the cluster organization. In this way, the management of the cluster obtains feedback on ongoing projects and learns essential information about other requirements of members. Based on the results of the survey, the cluster organization can adjust its portfolio of services to better meet the needs of individual entities and increase the financial income of the association.

### **3.2 The concept of human resource development in a cluster**

The natural socio-economic development and the development of employment relations have shown the need to integrate the strategy of lifelong learning into the internal systems of activities of cluster organizations. Soft skills and regular professional training of the persons managing the cluster organization are, in principle, crucial conditions for managing the demanding work tasks posed by the need to align the diverse needs of its members. At the same time, not only the professional but also selected personal and social skills of these people are being developed. Based on the results of the analysis, it is recommended to design and then immediately implement the concept of training of not only members of the management of the cluster organization but also other important entities in order to create a sufficient base of qualified workforce (Olšovská et al., 2016). The human resources management should also include a stable incentive and remuneration system of persons responsible for the management and performance of tasks, while also taking into account individual benefits of intangible stimulation depending on the position of individual persons in the organizational structure of the cluster.

### **3.3 Meeting the long-term direction plan of the cluster organization**

Provided that the persons managing the cluster organization carry out their activities responsibly, it is highly desirable that the declared strategic intentions of the association

correspond to the real situation. The strategy set out should be regularly updated in the light of the comments made by the members of the cluster organization expressed in personal meetings or by means of a questionnaire under the satisfaction survey. The proposals of individual working groups, which usually work inside the cluster and are led by highly qualified experts with many years of experience, should also be taken into account. At least once every two calendar years, it is important to re-evaluate developments in the industrial sector at the national and international levels and to set forecasts that may have an impact on the effectiveness of the measures taken (Kupec, 2017). Approved plans should take the form of a comprehensive set of activities, excluding the specific tasks, procedures and resources needed to meet the objective. It is also necessary to consider the process of monitoring the ongoing implementation of the plan and examining the possibilities for remedying the deficiencies in a timely manner. Thinking about several alternative solutions helps the management of the cluster organization to successfully implement its intentions even in the event of an unexpected situation instead of decreasing performance or a temporarily interrupting planned activities.

### **3.4 Financial stability of a cluster organization**

To ensure long-term and sustainable functioning of the cluster organization, it is extremely important to have available various financial resources in order to quickly replace those which fail. As the emergence of many clusters was initially strongly supported by public funds (state or local grant schemes), which got limited over time, cluster organizations now have to contend for new sources of funding (Kordos, 2018). In addition to the regular collection of membership fees, the optimal solution seems to be the greater popularization of the paid services offered, like brokerage activities or consultancy, implementation of market research or activities related to the internationalization of business entities. In the case of regular customers, there are also opportunities for cooperation in the implementation of innovation processes, technology transfer, etc. At the same time, by doing so, the cluster organization proves its ability to respond to challenges and solve problems. Other sources of funding include e.g. sponsorship or donation, taking part in international projects. In addition, cooperation with foreign partners helps the management of the cluster organization to maintain their high technological level or improve access to new markets.

### **3.5 Promotion of the cluster in the media**

A key premise that the managers of the cluster organization should take into account is that the ever-increasing volume of goods or services-related information reduces the effectiveness and impact of the communicated message regarding the importance and activities of the cluster. In addition, there are a large number of secondary interfering elements that can lead to inaccurate interpretation of communicated message or to a situation where the recipient does not notice the transmitted message at all. A starting point seems to be the use of a multi-channel communication program that would combine traditional and modern (electronic) media. The use of several types of communication channels allows the cluster organization to address, in addition to a defined circle of recipients, also those who have not yet had access to the selected medium. The implemented marketing communication tools should ensure the delivery of a comprehensive and consistent report on the cluster, its mission and intentions in the future (Švec et al., 2015). Carefully thought-out coordination of information and messages maximizes cost-effectiveness.

A systematic approach to promoting the cluster organization in the media should contribute to building long-term and mutually beneficial relationships with the public. The essential activity of the management of a cluster organization in that area should, therefore, focus primarily on the use of the Internet and all online communication channels. Immediate data processing in a virtual environment, their immediate distribution and the ability to get a response from the target audience almost immediately are main advantages of the online world. In the case of publicly published posts on the website of the cluster organization, texts in at least one foreign language (supposedly the second-most used language of the target audience or of key partners eyed for cooperation in order to expand abroad) are desired. Emphasis should also be placed on database marketing based on regular monitoring of stored records and direct contact with potential business partners.

## **Conclusion**

In order to identify successful cluster organizations with quality management process not only within the organizational structure, but also in terms of staffing, a generally recognized comparison mechanism, the methodological benchmarking, was created by ESCA. Taking part in the evaluation and obtaining one of the labels of excellence in the management of the cluster organization demonstrates the ability of the association to improve its internal and external processes in order to secure the required performance and achieve set goals. At the same time, it allows the cluster organization to prove the organizational clusters (in the field



of marketing and other as well) can effectively function and operate at the regional, national and international level.

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