Miroslav Plevny[1]

BUSINESS PERFORMANCE EVALUATION – A COMPARISON OF THE EFFECTIVENESS OF MUNICIPAL COMPANIES

Measuring and managing company performance is drawing more and more attention not only in the private but also in the public sector. The article presents a methodology for evaluating the performance of a municipal company with respect to the specifics of those companies whose aim is to provide public services. A real study evaluating the performance of a particular company in comparison with a suitable set of comparable transport companies is presented.

Keywords: business performance evaluation; municipal company; city transport company; financial analysis indicators.

Мирослав Плєвни

ОЦІНЮВАННЯ ЕКОНОМІЧНОЇ АКТИВНОСТІ: ПОРІВНЯННЯ ЕФЕКТИВНОСТІ РОБОТИ МУНІЦИПАЛЬНИХ ПІДПРИЄМСТВ

У статті продемонстровано важливість вимірювання та управління економічною активністю не тільки у приватному секторі, а й у державному. Описано методологію оцінювання роботи муніципальної компанії з урахуванням специфіки підприємств, що надають комунальні послуги населенню. У практичній частині дослідження використано реальні дані щодо транспортного підприємства, проведено його порівняння з аналогічними підприємствами в інших містах.

Ключові слова: оцінка економічної активності; муніципальне підприємство; міський транспорт; показники для фінансового аналізу.

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Мирослав Плевны

ОЦЕНКА ЭКОНОМИЧЕСКОЙ АКТИВНОСТИ: СРАВНЕНИЕ ЭФФЕКТИВНОСТИ РАБОТЫ МУНИЦИПАЛЬНЫХ ПРЕДПРИЯТИЙ

В статье показана важность измерения и управления экономической активностью не только в частном секторе, но и в государственном. Представлена методология оценки работы муниципальной компании с учётом специфики предприятий, которые предоставляют коммунальные услуги населению. В практической части исследования использованы реальные данные по транспортному предприятию, проведено сравнение показателей его экономической активности по сравнению с аналогичными предприятиями в других городах.

Ключевые слова: оценка экономической активности; муниципальное предприятие; городской транспорт; показатели для финансового анализа.

Introduction. Apart from business entities based on the profit principle there are other subjects in the mixed economy, which, in the public sector, provide goods satisfying the needs of citizens even without the motive of profit. A number of these needs are provided within the scope of the activity of municipalities. To name one of them let us mention the provision of transport services in cities and municipalities. These services are provided by means of transport companies whose activities are based on management of funds drawn mainly from public budgets.

The knowledge of company's own performance is the key precondition for effective handling of the entrusted funds in management of transport companies. A num-

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[1] University of West Bohemia in Pilsen, Czech Republic.

ber of ways to measure and manage the performance of companies active in the private sector have been designed over the last decades. Municipal companies differ from the private sector in a lot of ways. The aim of this article is to introduce a set of suitable indicators for evaluating business performance of some specific municipal companies, namely transport companies providing city transportation. By means of these indicators we are going to present a real study evaluating the performance of a particular company in comparison with a suitable set of comparable transport companies.

1. *Specifics of municipal transport companies.* While the private sector is based on the market mechanism in the environment of individual decision-making and mutual competition, in the public sector of the national economy market principles fail due to the absence of competition. There seem to be 3 reasons for this (Ochrana, 2001; Pekova, 2012):

1) microeconomic reasons – tendencies to monopolization, occurrence of externalities, uneven distribution of information necessary for decision-making related to economic subjects but also production of public goods in which state is interested;

2) macroeconomic reasons – instability and cyclical development of economy;

3) extraeconomic incentives – these relate to achieving justice when dividing incomes and wealth in society.

According to J. Pekova (2012) the result of these market failures is the existence and development of public sector providing the so called public goods which may have the character of purely public goods (e.g., local communications, care for public greenery etc.) or of mixed public goods (e.g., city transportation).

The specifics of city transportation systems (CTS) is given by the characteristics of individual city areas. CTS has to have sufficient transport capacity of the means of transport so that transport requirements can be met both under standard conditions and also extraordinary conditions. The above has to be reflected in the property structure of transport companies (TC) in which a large share of long-term tangible assets can be found and their single purposeness makes it impossible to look for an alternative use of capacities.

From the financial point of view CTS is partially funded by the fare paid by passengers and partially it is subsidized from public budgets of cities and regions. These subsidies, which partially eliminate some economic risks, do not release transport company managers from the responsibility of monitoring, active influencing and planning the economic situation of their companies with the aim of achieving higher economic performance.

2. Evaluating and measuring the performance of municipal companies. The issues of companies' performance have been studied by a number of authors who offered a great deal of various definitions of company performance. Definitions describing company performance as "the ability of a company to increase the value of the investment put in their business activities as much as possible" are very frequent (Sulak and Vacik, 2005). The majority of organizations realize that measuring the performance is a key factor for management. But they often underestimate the importance of choice of performance indicators (Spitzer, 2007). Spitzer also warns against monitoring too many various performance indicators whose relation to organization performance and the chance of influencing such performance is more than questionable instead of concentrating on the main factors crucial for a particular organization.

Measuring performance is a process providing information whether planned and implemented operations are effective and purposeful (Dvoracek, 2005). In other words, measuring means monitoring the effectiveness of individual decisions and measures focusing on meeting the set objectives of an organization. The literature dealing with performance indicators usually divides those criteria into **quantitative** (hard) and **qualitative** (soft) indicators, **financial** and **non-financial** indicators and into **classic** and modern criteria. This study employs predominantly classic quantitative financial indicators.

2.1.Partial indicators of financial analysis of a municipal company. Even though large financial amounts are invested into the creation of public products, quantification and comparison of financial effectiveness and performance is still seen as only a marginal issue with local and foreign authors. I. Kraftova (2001) is, for example, an exception in this respect as she, with regard to specifics of financial management of the public sector subjects, selects a basic set of the following suitable indicators for practical purposes (Figure 1).
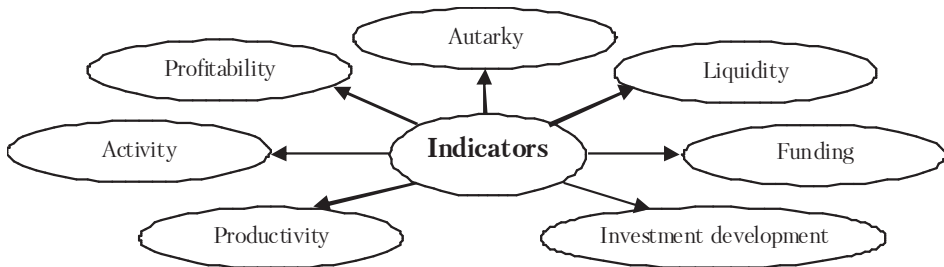

Figure 1. **Structured set of the financial analysis indicators of a municipal company** (Kraftova, 2001)

According to I. Kraftova (2001) a municipal company selects such areas to be monitored which are relevant for it, as well as such indicators which best inform it about the extent of meeting the set objectives, about strengths and weaknesses of its financial management and potential future threats. Not all the areas of the suggested set of indicators are of the same importance, some are only complementary. For the needs of a particular municipal company it is necessary to individualize this structure and its contents.

Autarky indicators. These indicators express the extent to which a municipal company is self-sufficient. *The autarky of the main activity A_{MA} on the basis of costs and revenues can be calculated as follows:

$$A_{MA} = \frac{main\ activity\ revenues}{main\ activity\ costs}(\times 100\%). \qquad (1)$$

(1) expresses to what extent a municipal company is able to cover the costs of the main activity by the achieved revenues. In case the achieved value is lower than 1, or 100%, it is necessary to carry out the analysis of causes; in the opposite case it is suitable to consider an alternative use of the subsidy sources or a reduction of the amount of the user fee.

Profitability indicators. Profitability, as a way of evaluating effectiveness, belongs to traditional fields of the financial analysis of private companies. With municipal companies profitability justifiably represents one of the most disputed issues as the

aim of the subsidized main activity of transport companies cannot be seen in making profits. Let us, therefore, monitor only ***profitability*** of the non-subsidized ***complementary activities*** p_{CA} (CA − complementary activity):

$$p_{CA} = \frac{economic\ results_{CA}}{costs_{CA}}(\times 100\%). \tag{2}$$

The dynamics of the development of revenues (*R*) and costs (*C*) of the following period *t*+1 as opposed to the basic period t can be illustrated by the indicator called the ***variator of total costs***:

$$var_C = \frac{c_{t+1} - c_t}{c_t} \bigg/ \frac{R_{t+1} - R_t}{R_t}. \tag{3}$$

The value of the variator higher than 1 means higher dynamics of the growth of costs (typical of the inflation economy when price of public products does not respond to the cost development quickly enough). It is, therefore, necessary to provide a larger volume of subsidies or to increase the user fee. The results of the value lower than one are analogical.

Liquidity indicators. The liquidity indicators can be calculated in the same way as with business subjects and even their interpretation is identical:

current liquidity: $CL = \dfrac{current\ assets}{short\text{-}term\ debts};$ (4)

available liquidity: $AL = \dfrac{current\ assets - stock}{short\text{-}term\ debts};$ (5)

immediate liquidity: $IL = \dfrac{short\text{-}term\ financial\ assets}{short\text{-}term\ debts}.$ (6)

Activity indicators. The following indicators can be recommended for the evaluation of a municipal company activity with regard to its specifics:

- ***capital turnover*** (*CT*) tells how many times total resources turn over in the revenues for the period in which both the amount of subsidies and of the user fee and other revenues are included:

$$CT = \frac{total\ revenues}{capital}; \tag{7}$$

- the ***period of the receivables turnover*** (*PRT*) or of the ***liabilities turnover*** (*PLT*) informs in what time on average receivables are settled or in what time a company is able to settle receivables:

$$PRT\ (or\ PLT) = \frac{receivables\ (or\ liabilities) \times 360}{total\ revenues}. \tag{8}$$

It is advisable to compare the period of the turnover of short-term receivables (*PRTshort*) with the period of the turnover of short-term debts (*PLTshort*) by their mutual ratio. The desirable value is lower than 1.

$$PRTshort/PLTshort =$$

$$\frac{\phi\ short\text{-}term\ receivables\ value}{total\ revenues} \bigg/ \frac{\phi\ short\text{-}term\ liabilities\ value}{total\ revenues}. \tag{9}$$

Funding indicators. Evaluation from the funding point of view is of a totally different value with municipal companies. With regard to the way of funding municipal companies (predominance of allocated public funds) company's own resources usually exceed debts, usually of short-term character, and they mostly relate to the liabilities towards suppliers, employees and related liabilities towards the institutions

linked with social security, health insurance and state. In evaluating the stability of the financial situation of municipal companies funding is most often represented by the indicator of self-funding, i.e. the stability rate (*SR*) (Otrusinova, 2011).

$$SR = \frac{company's\ own\ capital}{total\ capital}(\times 100\%). \tag{10}$$

As may be obvious from the above, relatively high values can be expected in case of transport companies.

Investment development indicators. This type of indicators is not usual for the standard financial analysis of private companies, but it is of significant importance for a transport company operating partially outside the rules of market. It is necessary to consider what is quantity and quality (interpreted as a rate of depreciation) of a municipal company's assets as these assets should enable the creation of a public product. When evaluating the field of investment it is suitable to use the coefficient of depreciation of long-term assets (*DLTA*), and, independently, even the coefficient of depreciation of independent movables (*DIM*) represented mainly by a company's vehicle fleet. It can be noted here that the higher is the value, the more obvious the absence of investment is.

$$DLTA\ (or\ DIM) = 1 - \frac{total\ of\ purchase\ cost\ of\ LTA\ (or\ IM)}{total\ of\ residual\ price\ of\ LTA\ (or\ IM)}. \tag{11}$$

If we are familiar with the plan of investment development it is possible to supplement the evaluation with the *rate of investment development* (*RID*) as a relation between investment needs and company's own resources which shows to what extent the company is able to renew or extend its property and what is the need for investment subsidies.

$$RID = \frac{investment_{gross}}{depreciation}. \tag{12}$$

Productivity indicators. Profitability indicators for municipal units are the same as the indicators of productivity. Indicators such as *labour productivity* (*LP*) or *capital productivity* (*CP*) are used and their appreciation is reflected, in a simplified way, in the value added (*VA*) including the amount of subsidies.

$$LP = \frac{VA}{number\ of\ staff};\ CP = \frac{VA}{capital}. \tag{13}$$

2.2. Synthetic indicators for municipal companies. Synthetic indicators consist of the selected indicators of financial analysis grouped into one overall indicator to identify the financial health of a company as unambiguously as possible. In relation to their informative value they are divided into creditworthy and bankruptcy models.

While creditworthy models can be ranked into the "ex post" analysis aiming at examining past and detecting the causes of the current financial health of a company, bankruptcy models aim at "ex ante" analysis which tries to answer the question if the evaluated subject is threatened from the financial aspect in the near future. P. Kralicek's (2008) quick test, M. Tamari's (1966) model, R.J. Taffler's (1983) bankruptcy model or E.I. Altman's (2002) Z-score (Pitrova, 2011) belong to the best known synthetic indicators.

Although these indicators can be used even when evaluating municipal companies, they are, by default, meant for profit companies (private sector). Because they do not reflect the specifics of the public sector, two other models were specifically

developed for that purpose, labelled as BAMF and KAMF (Kraftova, 2001). However, we are not going to deal with them here.

3. Intercompany performance comparison. Synthetic indicators enable to compare the performance of companies with one another. The so-called intercompany comparison enables easier objective interpretation of the results of financial analysis thanks to understanding the position of a certain company in a larger set of the examined subjects. The choice of companies for a reference sample (from the point of view of analogical inputs and technologies, outputs and customers within the field) is crucial for the results of comparison. At the same time it is necessary to select only ratio indicators because the value of the absolute indicators depends on the size of companies. All the following parameters can become the entities with which a company is to be compared — the average for a branch, a field or a group of companies, recommended values (standards) or a comparable company with the best results (benchmarking). The aim is to discover the company's own position and then to strengthen it on the basis of the experience of the others.

For the transformation of more partial indicators into one integral indicator that summarizes the overall final level of performance of individual companies in the reference sample it is possible to use for example the following methods.

3.1.The method of a simple (weighted) sum of ranking. When applying this method n companies are to be grouped in a sample according to each indicator. The company with the best value of the indicator receives the evaluation "*n*", the second best one "*n*-1", and so on, up to the company with the worst result receiving "1". The integral indicator is a simple sum of the values x_{ij} , i.e. the rating of an i company for the *j* indicator (the set weight of p_j of the partial *j* indicator may also be included).

$$d_i^{(1)} = \sum_{j=1}^m x_{ij}\, p_j. \qquad (14)$$

The company with the highest value of the sum is the best company. The disadvantage of this method is that it does not consider the absolute differences in the values of individual indicators.

3.2.The method of a simple (weighted) quotient. This method uses the mean value of partial indicator $\bar{x}_j$, by which the value of the x_{ij} indicator of each company is divided. The quotient is then necessary to multiply by the coefficient +1 or -1 depending on the requirement of the increasing or decreasing character of the value of the criterion. Even here it is possible to include the weight of the p_j indicator.

$$d_i^{(2)} = (\pm 1)\sum_{j=1}^m \frac{x_{ij}}{\bar{x}_j}\, p_j. \qquad (15)$$

Again, the best company is the one achieving the maximum value of the integral indicator.

3.3.The marking method. The core of the marking method consists in finding the best and the worst result (the maximum or minimum value) for each indicator. The best result is 100 points and the worst one — 0 points. Other companies receive points according to the ratio of the absolute values of the indicators. The value of the final indicator of the marking method $d_i^{(3)}$ can then be calculated in the same way as with the method of a simple (weighted) sum of ranking. Higher value means a better result, where it is still possible to divide these sums by the number of indicators by which a

more transparent evaluation as related to the maximum value of 100 points can be obtained.

3.4.The method of a standardized variable. Using the previous method is not ideal in case of the samples with a large variability of data. This can be removed by standardizing the original values x_{ij} into variables u_{ij} expressed as a quotient of the absolute deviation of the value of the indicator from the average value of the indicator and the standard deviation calculated from the values of the j-th indicator. When calculating the overall indicator $d_i^{(4)}$ the procedure is analogical to the previous cases.

3.5.The method of the distance from a fictitious object. The calculation of the indicator $d_i^{(5)}$ according to this method is similar to the previous one with the only difference that the reference sample is completed with the values of an ideal fictitious company corresponding to the sample of the best values of the individual indicators. The best evaluated company is the company with the least distance from the fictitious object.

4. Practical applications of the inter-company comparison of the performance of municipal companies. Further on we are going to illustrate the application of the methods of the inter-company comparison on the example of municipal companies in Czech Republic. The aim is to compare the economic situation of a selected municipal transport company in the city of Plzen (Plzen city transport companies, a.s., hereinafter only the Czech abbreviation PMDP) in a wider context of the field of operation of transport companies and then to identify the gaps in the performance of the examined company.

4.1.Preparation of the intercompany comparison. The right selection of the evaluating indicators is the key factor of any beneficial inter-company comparison. As the aim is to compare the overall economic performance of transport companies we are going to use the multidimensional method stated in the previous chapter. All the 6 fields of measuring financial performance were evenly included in the evaluation, i.e. the dimensions of autarky, profitability, liquidity, activity, investment development and productivity.

In case of transport companies it is possible to find various parameters according to which it might be possible to select the best comparable transport companies. The following parameters have been set as the basic limiting criteria for the purposes of this contribution:

- comparable legal norm of the transport company;
- comparable property structure of the transport company;
- comparable structure of the transport network.

With the first two criteria there are no principal complications as the majority of transport companies providing transport services on the territory of large and medium sized cities of Czech Republic have the form of a joint stock company. Municipality is usually the only owner of a transport company. In case of the transport network, or as the case may be, the used means of transport (buses, trams, trolleybuses), a problem emerged when we compared the company PMDP with other companies as there was an insufficient number of entities that operate 3 tractions as well. The only ones are as follows: Transport Company of the city of Brno (Czech abbreviation DPMB) and Transport Company Ostrava (Czech abbreviation DPO). Therefore, it is necessary to moderate this criterion to using at least any 2 out of the

3 tractions used in Plzen. This way the sample of potential companies may be extended by 9 subjects out of which, because of the reasons of comparability, it is necessary to eliminate significantly smaller ones. As a result, apart from the above mentioned companies PMDP, DPMB and DPO, the following subjects were also included into the sample of the compared transport companies: Transport Company of the city of Olomouc (Czech abbreviation DPMO) and Transport Company of the city of Hradec Kralove (Czech abbreviation DPMHK). A brief introduction of the overall operation figures of the individual companies included in the sample can be seen in Table 1.

Table 1. **Operational figures of the selected sample of transport companies in 2011**

Field	Indicator	DPMB	DPMHK	DPMO	DPO	PMDP
Transport performance	Number of veh. x km, in ths	38324	6212	6111	34008	15078
	Number of seats x km, ths	4222459	491409	618055	3475436	1360527
	Persons transported, ths	354342	37778	55432	101924	101900
Employees	Total	2727	397	420	2024	1031
	Out of them drivers, %	50.8	47.1	55.5	50.2	55.9
Vehicle fleet	Number of vehicles	764	133	137	647	326
	Out of them trams, %	41.1	-	43.8	42.2	37.4
	Out of them trolleybuses, %	19.2	27.8	-	9.9	27.0
	Out of them buses, %	39.7	72.2	56.2	47.9	35.6
Lines	Number of lines	76	41	25	85	44
	Total length of lines, km	951.9	314.3	301.7	1067.5	486.7

Source: Association of transport companies in CR – Annual report for the year 2011.

As it is obvious from Table 1, the largest transport company in the chosen group is DPMB which dominates the indicators in the fields of transport performance, employees and fleet. Despite that, in the number of lines and their total length the company is surpassed by DPO which shows a large share of suburban transport services. On the other hand, DPO is left behind by DPMB in the number of transported persons and in this respect it is at the same level as PMDP.

4.2. Applying the methods of intercompany comparison. Comparative evaluation of the sample was carried out on the basis of the selected indicators described in chapter 2.1 (for more details see Stilip, 2013). Table 2 is divided into 5 parts according to the applied mathematical and statistical method stated in chapter 3. Within the evaluated period both the values of the integral indicators and the ranking the company achieved on the basis of this value are given. In case of an identical value of the integral indicator companies are given the same rank.

The applied methods of evaluation do not give the final results of companies quite identically. Therefore in Table 3 a matrix has been drawn up showing the ranks of the companies in each year. The matrix has been drawn up by averaging the rankings from the 5 applied methods in Table 2. The average ranking for all the monitored period is given in the last line of Table 3.

As it is obvious from Table 3, the sample can be divided into two. The companies from Plzen and Brno take turns in the first and second ranks. DPO, DPMO and DPMHK are left behind significantly in the average rank. Even though it is not possible to label DPMB unambiguously as the best subject, it surpasses the other companies markedly and therefore it has been chosen for the implementation of the last stage of the inter-company comparison, i.e. more detailed comparison with PMDP.

Table 2. **The results of the intercompany comparison,** *own*

Method	Year	Result	PMDP	DPMB	DPO	DPMO	DPMHK
Method of a simple sum of ranking	2008	Value	21	21	20	18	10
		Rank	1	1	3	4	5
	2009	Value	19	22	16	18	15
		Rank	2	1	4	3	5
	2010	Value	23	25	15	11	16
		Rank	2	1	4	5	3
	2011	Value	27	25	13	13	12
		Rank	1	2	3	3	5
Method of a simple quotient	2008	Value	6.92	13.22	5.80	6.10	-1.30
		Rank	2	1	4	3	5
	2009	Value	5.91	7.89	5.01	5.56	5.91
		Rank	3	1	5	4	2
	2010	Value	7.80	8.00	4.71	5.04	5.28
		Rank	2	1	5	4	3
	2011	Value	6.23	9.47	4.56	5.16	4.86
		Rank	2	1	5	3	4
Marking method	2008	Value	4.17	3.66	3.54	2.31	0.71
		Rank	1	2	3	4	5
	2009	Value	3.31	3.37	1.80	1.83	1.60
		Rank	2	1	4	3	5
	2010	Value	4.71	4.39	1.81	1.66	2.18
		Rank	1	2	4	5	3
	2011	Value	4.81	4.99	1.62	1.41	1.58
		Rank	2	1	3	5	4
Method of a standardized variable	2008	Value	3.42	2.28	1.75	-1.42	-6.04
		Rank	1	2	3	4	5
	2009	Value	2.99	2.66	-1.41	-1.70	-2.54
		Rank	1	2	3	4	5
	2010	Value	4.89	3.68	-2.94	-3.40	-2.23
		Rank	1	2	4	5	3
	2011	Value	5.12	5.58	-3.51	-3.81	-3.37
		Rank	2	1	4	5	3
Method of the distance from a fictitious object	2008	Value	3.49	3.28	4.17	4.60	6.20
		Rank	2	1	3	4	5
	2009	Value	4.26	3.75	5.27	5.15	5.84
		Rank	2	1	4	3	5
	2010	Value	1.99	2.66	5.15	5.21	5.25
		Rank	1	2	3	4	5
	2011	Value	2.45	1.81	5.23	5.31	5.05
		Rank	2	1	4	5	3

Table 3. **The overall results of intercompany comparison,** *own*

Period/Transport company	PMDP	DPMB	DPO	DPMO	DPMHK
2008	1.4	1.4	3.2	3.8	5
2009	2	1.2	4	3.4	4.4
2010	1.4	1.6	4	4.6	3.4
2011	1.8	1.2	3.8	4.2	3.8
2008−2011	1.65	1.35	3.75	4	4.15

4.3. The evaluation of the inter-company comparison towards the selected transport company. Spider analysis is a suitable tool of the intercompany comparison as it serves the purpose of quick orientation. It was based on the results of the values of the indicators described in chapter 2.1 for both compared companies (PMDP and

DPMB). The final results of the indicators for PMDP are expressed by the ratio to the values of the reference company DPMB which represent the boundary value of 100%. With the indicators that are to be minimized the reciprocal of the ratio is calculated. The position in the individual evaluated fields towards the evaluated subject is illustrated in a well arranged way. For better orientation it is suitable to include the results of maximum of two successive periods in one graph and then to look for the causes of the shown development, both on the side of PMDP and of DPMB. Figure 2 shows the values of the indicators of PMDP towards DPMB in the period between the years 2008—2009 with regard to the above recommended method.
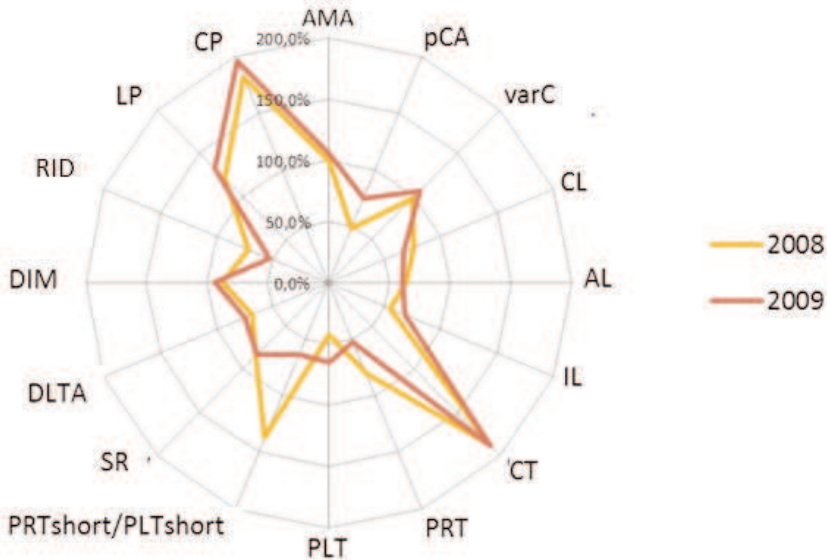

Figure 2. **Spider graph – A relative development of the system,** *developed by the author*

As it is obvious from Figure 2 both companies show good results in the field of the autarky of the main activity (AMA), as in 2008 they both move closer to their complete independence, one year later PMDP reaches independence and surpasses DPMB. In the field of profitability of its complementary activities (pCA) PMDP does not reach the level of DPMB. It can, however, be seen that the situation in 2009 was better than in 2008. After reversing the trend of the decrease of costs and mainly revenues in PMDP in 2008 the variator of the overall costs (varC) reaches better results in 2009 as the revenues of PMDP grew faster than the costs in comparison with just a mildly positive trend in the case of DPMB. The indicators of liquidity (CL, AL, IL) reached higher values in case of DPMB. With both companies there was a year-on-year improvement but it happened approximately in the same ratio, and therefore this change is not noticeable in the graph. The evaluation of the capital turnover (CT) of PMDP is not relevant in this particular comparison as up to the year 2010 the majority of the immovable property was only hired by PMDP. The periods of turnover of receivables (PRT) and liabilities (PLT) show worse results as compared with DPMB but the values are not significant. Despite the year-on-year deterioration the ratio of the periods of the turnover related only to short-term receivables and liabili-

ties (PRTshort/PLTshort) reaches satisfactory values as compared with DPMB. The structure of property is connected with the stability rate (SR) which, due to the absence of immovable property in case of PMDP, shows higher representation of borrowed capital. Investment development (RID), whose largest part (0.5 bln CZK) DPMB received from European funds, surpassed the value of the company depreciation more than 3 times in 2009 and this way it overshadowed the positive trend in the renewal and development of the property of the Plzen transport company. This left its marks on higher depreciation of the PMDP property which shows both the depreciation of long-term assets (DLTA), and the depreciation of independent movables (DIM) represented mainly by the vehicle fleet. Higher values of productivity in the field of capital (CP) are connected with the low level of immovable property but PMDP surpasses DPMB significantly in labour productivity (LP).

The causes of the development of individual indicators were analysed in the similar way in the following years (for more detail, see Stilip, 2013). As it is obvious from the overall results for all the years, DPMB does not have, in comparison with PMDP, a significantly higher level of economic performance. Both the evaluated companies show, in the monitored years, better or worse results in partial fields, but neither party seems to be significantly better than the other one. By comparison and finding gaps in the performance it is possible to look for such fields in the analysed company that should be paid a lot of attention so that the maximum level of improvement could be achieved.

Conclusion. Measuring and managing company performance is drawing more and more attention not only in the private but also in the public sector. These skills are important especially in the current period of economic recession when the non-growing or even decreasing funds of municipalities meet the ever growing costs and rising requirements concerning the quality of public goods. And, in this context, the provision of city transport services by means of city transportation system is no exception.

The article presents a methodology of evaluating the performance of municipal companies with respect to the specifics of those companies whose aim is to provide public services. A system of relevant indicators for measuring performance including their interpretation is proposed in the article. These indicators were applied for practical evaluation of the development of a particular transport company in Czech Republic. By means of mathematical and statistical methods the most suitable transport company was chosen and its results were applied for comparison with the evaluated transport company by means of the spider analysis based on a set of pre-selected indicators. The proposed procedure of inter-company comparison may become a tool to be steadily applied in management of performance of transport companies in the near future.

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