ORGANIZATION MANAGEMENT: AN INDICATIVE METHOD

Askar Karibaev, Yuri Afonin, master,

top manager of the oil and gas companies, the city of Uralsk, Kazakhstan

Abstract: The purpose behind indicator-based planning lies in determining the factors or indicators which reflect the economic activities of the entity. Subsequently, based on these factors, planning, forecasting, accounting, and monitoring of the organization's activities takes place.

Key words: Human Development Index, Integral sustainable development indicators , Threshold Values for HDI Calculations.

Indicator-based management has as its foundation the research and analysis of economic factors observed at any given organization. An indicator, in this case, is defined as the limits of economic factors which describe the life of the organization, holding, country, etc, and within which it can stabilty exist and grow [1].

The World Bank can be called the international leader for sustainable development indicators. The bank's annyal report titled The World Development Indicators helps assess a country's position on its way towards UN goals for economic growth and fight against poverty. These indicators are groups into six sections:

I. general

II. population

III. environmental

IV. economy

V. country

VI. markets

The Human Development Index is a comprehensive indicator which evaluates the average achievements of a country based on three main areas of human development: longevity as a result of a healthy lifestyle, based on the expected life expectancy at birth; knowledge, based on the literacy level of the adult population and on the

aggregated gross coefficient of those entering primary, secondary, and post-secondary institutions; and an acceptable quality of life as assessed by the GDP per capita in parity with purchasing power (PPP in USD). Let us call the Human Development Index a comprehensive indicator of human potential, while the indices for each element will be the fundamental indicators of human potential.

Before calculating the HDI itself, the indicators for each of its elements must be calculated separately. In order to calculate the indices for these elements (life expectancy, education, and GDP), each of these indicators should be assigned a minimum and maximum value. Achievement in each measurement is expressed in values from 0 to 1.
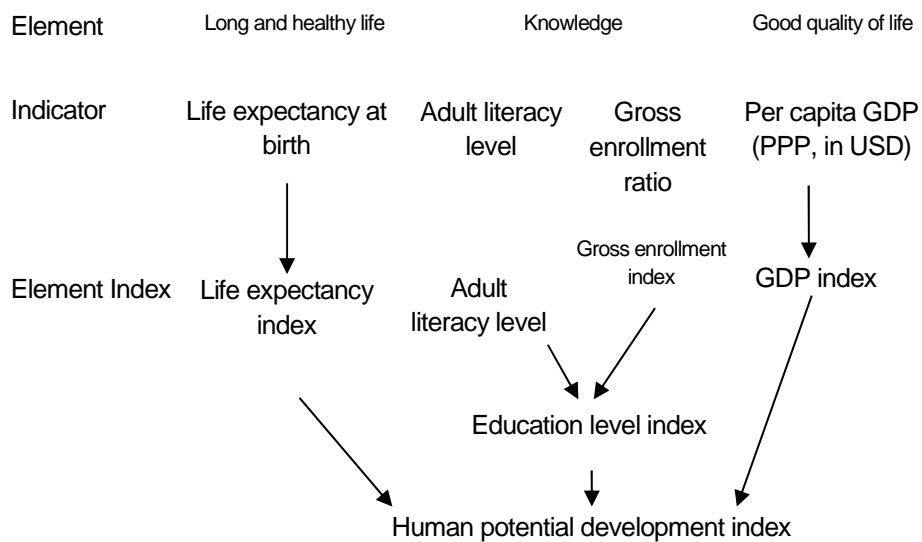

Fig. 1. Structure and composition of the Human Development Index

After this the HDI is calculated as the arithmetic average of the elements indices.

Table 3

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Threshold Values for HDI Calculations

Indicators	Maximum value	Minimum value
Average life expectancy, years	85	25
Literacy level of the adult population, %	100	0
Aggregated gross coefficient of those entering an education institution, %	100	0
Per capita GDP (PPP, USD.)	40 000	100

When calculating the index for the estimated life expectancy, the indicator used is the forecasted average life expectancy at birth (expresses the number of years that on average a person is expected to life, given that the person is from a generation for whose entire duration the life expectancy of a child being born remains the same). For Russia, where in 2002 the life expectancy was 66.7 years, the index of the forecasted life expectancy equals .69.

$$\text{Life Expectancy Index} = \frac{66,7 - 25}{85 - 25} = 0,69$$
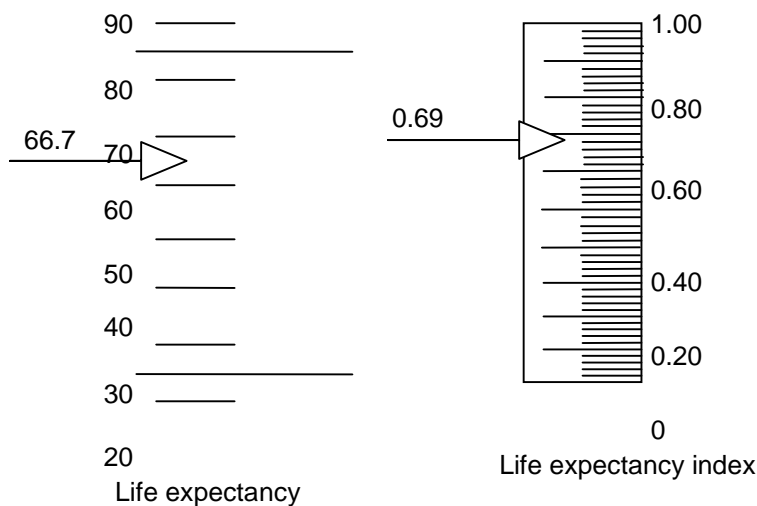
Fig. 2. Calculating Life Expectancy using the Example of Russia in 2012

The education index measures the relative achievements of countries in terms of raising the adult literacy levels and increasing the gross share of those entering primary, secondary, and post-secondary education institutions.

The GDP index is calculated using the corrected GDP per capita indicator (PPP in USD). The selection of the fundamental indicator must reflect the multiple factors which express the opportunities for the development and realization of human abilities: their personal approach; distribution of income between layers of society; access to land resources and credit, etc. The many difficulties encountered when calculating these indicators make it almost impossible to accurately assess the financial quality of life using a direct indicator. Therefore, in order to evaluate the financial quality of life indirect indicators are used, such as the GDP per capita value, which subsequently undergoes a series of modifications.

The United Nations report for 2008 reveals that the HDI is growing in all countries around the world with the exception of countries in Africa and several countries in the post-Soviet space, where the index is falling because of the decreased quality of education, economics and high mortality rates.

Russia takes 73rd place in the list, with its HDI = 0.806 (which is quite high, although it is lower than the indicators for Belorussia and Kazakhstan). The index began falling in the early 1990's as a result of a drop in the GDP and in spite in mortality rates. In 1992 Russia was in 52nd place, in 1995 it was in 114th place, in 2004 it was in 57th place, in 2005 - 62nd place, in 2006 – in 65th place with an index of 0.795, in 2007 – 67th place with an index of 0.802. According to the 2009 report, Russia is in 71st place, however based on the life expectancy index, Russia is in 118th place (66.2 years), based on the literacy level in 11th place (99.5%), and based on the financial well-being in 51st place, while for the per capital GDP it's in 55th place (PPP in USD). When compared to its neighbors on the table, Russia has an extremely low life expectancy and a slightly lowered level of education.

The "population health" indicator reflects the distribution of environmentally-affected illnesses. There is a solid relationship between the quality of the environment and respiratory diseases and digestive infections. Since children are the ones most

severely affected by respiratory diseases, the child mortality indicator has been introduced to measure the mortality as a result of respiratory diseases according to the standard classification of illnesses per 100,000 children aged 1-14 years. The mortality indicator from digestive diseases in calculated for a country's general population.

The genuine progress indicator and the index of sustainable economic welfare are both attempts to create an adequate measurement of economic wellbeing, to improve the GDP by accounting for externalities. The genuine progress indicator reflects the following components:

- criminality and family breakdown
- household work and parenting
- income distribution
- resource depletion
- pollution
- long-term environmental damage
- changes in the amount of free time
- defense spending
- service life of articles intended for long-term use
- dependence on foreign capital [2].

The index of genuine progress is meant to reflect those aspects of economics, which are outside of monetary turn-around. The attempt is made to determine those functions, which support the economy but remain outside of monetary usage.

Indicator-based planning of the nation's economy has been used long and successfully abroad, for example in France, Japan, China and other nations.

References

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