EVALUATION OF THE QUANTITATIVE GROWTH OF A COMPANY

by 680

EDWARD LOYD TURNER

B. S., Kansas State University, 1966

A MASTER'S REPORT

submitted in partial fulfillment of the

requirements for the degree

MASTER OF SCIENCE

College of Commerce

KANSAS STATE UNIVERSITY
Manhattan, Kansas

1969

Approved by:

J. Barton Lokey

Major Professor

TABLE OF CONTENTS

LIST OF TABLES

LIST OF ILLUSTRATIONS

CHAPTER I

INTRODUCTION

Economic growth is a concept that has several meanings. Thus, for example, growth of an industrial organization can be viewed as qualitative or quantitative. Qualitative growth can consist of better management personnel, greater marketing and production knowledge, and other factors that can be measured only in the subjective sense. Quantitative growth may include such accounting items as increases in sales, net income, assets, owners' equity, earnings per share, number of plants, and other items that can be numerically measured. The concept presented in this paper concerns the quantitative aspects of company growth.

The quantitative growth of a business firm is important for several reasons. The most significant concerns its contribution to the economic growth of the nation. Economic growth has been defined by Franklin V. Walker as "an increase in the nation's output, which occurs both because the ability to produce rises and because this added ability is employed."[1] Major attention by economists considering the problems of economic growth has been centered upon the broad aggregates regarded as crucial to such growth. Comparatively little

---

[1]Franklin V. Walker, Growth, Employment and the Price Level, (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1963), p. 2.

attention has been paid to the details of industrial growth, which are the main components of economic growth.

Quantitative goals can be established as controls by the management of a company. These standards of performance can be integrated into company policies. The degree to which these standards are increased from year to year is dependent upon management's ability to measure the company's historic quantitative growth.

Another reason for the importance in measuring quantitative growth concerns a company's long-term existence. If a company does not maintain a pace comparable to the growth of others in the industry, it will be slowly squeezed out of business, for a business concern can exist without growth only for a short period of time.[2] A company must be able to perpetuate itself, and this self-perpetuation is partially accomplished by quantitative growth.

Development and improved production, too, depend on quantitative growth. The autonomous organization would invest in research and development as a prerequisite for survival.[3] Therefore, new products and production processes must be developed to keep abreast with competition. Investments in research and development create new investment opportunities.[4]

---

[2] Keith Powlison, "Obstacles to Business Growth," Harvard Business Review XXXI, (March-April, 1953), p. 48.

[3] Robert A. Solo, Economic Organizations and Social Systems, (Kansas City: The Bobbs-Merrill Company, Inc., 1967), p. 255.

[4] Sumner H. Slichter, Economic Growth in the United States, (Baton Rouge: Louisiana State University Press, 1961), p. 106.