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## Hubris and the SME Bull Frog

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Have you heard of "boiled frog" syndrome? A frog thrown into a pot of boiling water will supposedly jump right out again. But a frog placed in a pot of "pond temperature" water will remain in the pot when that pot is placed on a stove where the temperature is gradually turned up until the pot boils. The point is, the frog recognises an event of sudden danger, but not danger that manifests incrementally.

And have you heard of "bull frog" syndrome? A number of years ago a researcher developed the "boiled frog" theme by introducing the concepts of the "tadpole", the "drowned frog" and the "bull frog" to explain small business failure.

The "boiled frog" SME is one that fails after some problem incrementally ratchets its way up into an insurmountable disaster. This is also known as "death by a thousand cuts". The "tadpole" is that often talked about business statistic - the start up that never survives past its early stages. The "drowned frog" is the small business that swims from one bright idea to the next, but never really getting a grip anywhere before being overwhelmed and becoming "exhausted".

And the "bull frog" is the business owner who places their own short term selfish needs ahead of the needs of their business. They lease the boat, the flashy car, and/ or borrow big to buy the big house before they can really afford it.

Riad Tayeh of this firm, who specialises in turnaround, has a favourite saying - "a good business can buy you another house later". He says this because clients sometimes refuse to compromise their life style to prop up their business, and in the end, lose the business, the

house and everything else. Nick Samios, State Manager for Cash Resources Australia and a casual academic at the Graduate School of Business at UTS, often uses the above anecdotes to illustrate some very important points.

Nick recently related a story about a chap who needed to restructure his finances to avoid receivership - and probably personal bankruptcy. His business had hit trouble and he needed to raise some extra capital against his home. Unfortunately he had recently leased a \$250,000 sports car, and the lease was collaterally secured by his home. He could not untangle the various securities in order to free up his house. In trying to hang on to the car, he ended up losing the lot. Had he contented himself with a used late model Holden, he could have rebuilt his business, and maybe in a couple of years he could have looked at taking on the sports car and keeping it.

And then there's the client who did the right thing and came to see us in times of trouble. We put in some controls and management measures and business started to improve, KPI's were reached, and about 4 months later the company made a profit for the first time ever! Instead of having a celebratory ale and continuing the hard work, management paid themselves a hefty salary increase and reduced the already precarious cash. They took their eyes off the ball, thinking that their problems had been permanently solved. Like the chap with the sports car, they should have waited until the right time before they rewarded themselves.

**You have to keep checking the temperature of your business, all the time!**

And this brings us to "hubris". "Hubris" is often defined as "excessive pride". In fact however, the term derives from ancient Greek tragedies, and really means the belief that you are superior to "the gods". In the Greek tragedies, the hero refuses the help of the gods, or undertakes some task so great that it is stupid rather than heroic, and tragedy ensues. And so the saying "pride comes before a fall".

It often takes a considerable swallowing of that pride to get a SME owner to admit that he or she needs help in getting the business back on track. It's often seen as a sign of weakness or loss of control if you need to get advice from someone else, or even hand over some of the reins to another party. We all have our skills as well as limitations – the path to success lies in recognising those skills and limits. It's **NOT** failure, it's recognising that the temperature of the water is increasing and that you need to turn down the heat! You can avoid being a frog, but it takes planning, guidance, control and analysis on an ongoing basis.

**Successful businesses have sought advice, those that have failed didn't.**

SME owners - particularly in tough times - should bide their time, build their business with appropriate assistance from others, and wait until they are truly successful before seeking the rewards of abundant success. Otherwise the fate of the hubristic bull frog may well be their own.

*Co-authored by Nick Samios of Cash Resources Australia and Suelen McCallum, Senior Manager with de Vries Tayeh & dVT Consulting Pty Limited. The concepts of the various "frog syndromes" were taken from an article entitled "Understanding the Causes of Business Failure Crises: Generic Failure Types: Boiled Frogs, Drowned Frogs, Bullfrogs and Tadpoles" written by Bill Richardson, Sonny Nwankwo and Susan Richardson (Management Decision, Vol. 32 No. 4, 1994, pp. 9-22)*