

Preparation is the key to cutting risk, Cuban says

Mark Cuban was already well-known as a flamboyant self-made billionaire. TV is about to elevate that fame. He canned three contestants on the premiere of his reality show, *The Benefactor*, last Monday. Episode 2 airs tonight at 8 ET on ABC. He's president of HDNet, a high-definition TV network and owns the Dallas Mavericks NBA team. *Forbes* said he was worth \$1.3 billion in 2003, the world's 329th-richest person. He got there by co-founding MicroSolutions, which he sold to CompuServe in 1990. He then co-founded Broadcast.com, which rose 250% the day of its initial public offering in 1998 and was sold to Yahoo with near-perfect timing at the peak of the Internet craze in 1999. Timing might be everything, but the 45-year-old said his business philosophy is "no balls, no babies." That's something you don't hear at too many board meetings, so USA TODAY corporate management reporter Del Jones went to Cuban for an explanation.

'I want the risk and I want the gain,' Mark Cuban says.

Q: This is a family newspaper. What exactly do you mean by "no balls, no babies"?

A: The very first time I went to Vegas, I was learning basic blackjack strategy while I played \$5 a hand. I didn't know whether to hit or stick. I asked the dealer, and he said, "No balls, no babies." I took that to mean: I have nothing. If I lose, I still have nothing. So why not go for it? If you don't play the game, you can't win.

Q: Did you win that hand?

A: I don't remember.

Q: Would you say that Donald Trump lives by the "no balls, no babies" philosophy?

A: It certainly doesn't apply to Mr. Trump. He is part of the lucky sperm club. His father was very successful, and to Mr. Trump's credit, he was smart enough to do deals built on the foundation his father built and to grow it into a bigger organization. He has had his back up against the wall with debt, but I'm not sure he has ever faced the risk of starting a business purely with sweat equity. The concept of "no balls, no babies" is that you are starting a business with nothing. If the business fails, you go home with nothing. Any entrepreneur without outside capital and who had to hustle to stay alive knows exactly what I am talking about.

Q: Now that you're a billionaire and no longer starting from scratch, do you still live by that philosophy?

A: I do, but how it applies to me has changed. I can't say that if I fail I will end up with nothing. However, I still accept 100% of the risk and reward of any new venture. I won't ask for money from outside investors in order to reduce my risk. I want it on my back. I don't believe in borrowing so the banks are your partners. I don't want to play off the risk on friends and family or others who believe in me. If I believe a business can be successful, I want the risk and the gain. Once the business is stable and successful, I'm happy to share in the upside. I can handle losing my money. I can't handle losing other people's money.

Q: What is the best example in your life where this strategy paid off?

A: MicroSolutions was started when I lived with six guys in a three-bedroom apartment. I started with no cash. It was pure sweat equity. If it failed, I would be back tending bar. Fortunately, MicroSolutions was profitable every month of its existence.

Q: Measured risk is one thing. Then there is outright stupidity. How do you tell the difference?

A: I have no idea. I'm always sufficiently scared of failing that I make sure I've reduced my risk through preparation. Most people think money is the key to reducing risk. Preparation is. There is an old saying that when you sit at the business table, you look for the fool. If you don't see a fool, then it's you. If you aren't the smartest person at the table, you better have a partner who is, or you shouldn't be there.

Q: There have been business winners who let others take the risk. The Japanese were well-known for reverse engineering, letting others foot the R&D. What's wrong with a safe strategy?

A: Nothing. If it works for you, that's great. Each person has to know what his or her circumstances are. If in your preparation you feel that risk-aversion is the right way to get results, be risk-averse.

Q: Do you think most leaders are too timid?

A: No. Everyone has their own style. Business is very Darwinian. If your style works for you, great. If it doesn't, you won't be leading very long.

Q: How do you personally calculate risk vs. reward when making a decision?

A: First, I ask myself if this is something that I would enjoy doing. Find something you love to do. If you don't make money at it, at least you love going to work. When I started MicroSolutions (a systems integrator), it wasn't a gamble, because I had nothing to lose and I loved working with computers. I had no idea how much, if any, money I would make, but I loved what I did, so in my mind I was successful. When Todd Wagner and I started Broadcast.com (which provided sports and other events over the Internet), it was because we saw an opportunity to leverage the Internet and

change how people consumed media. When Phil Garvin and I started HDNet, I loved the idea of pushing forward high-definition TV when the entire media industry said it was not possible and there was no market. When I bought the Mavs, I wanted to turn a team that everyone said would be a perennial loser into a winner. Rewards come in many forms, financial being just one of them. I have had a blast in every one of these businesses.

Q: You've been compared with Trump. Are you a clone?

A: You won't catch me in a suit, you won't catch him out of one. His businesses are built on other people's money and doing deals. My businesses are built on sweat equity and building businesses. He dismisses his casino partners' problems as not his; I can't sleep at night if my partners aren't successful. I play basketball, he plays golf. I go to sports bars, he goes to black-tie dinners.

Q: There has been much criticism in recent years of the celebrity CEO. In his book Good to Great, Jim Collins argues that the best companies are run by guys who shun the limelight.

A: Microsoft is successful because Bill Gates branded himself as a futurist and able to understand personal computing trends. Larry Ellison, Carly Fiorina, Warren Buffett, Jack Welch, the list goes on and on. Visibility doesn't guarantee success by a long shot, but customers want to know who is responsible. When I read an article about a CEO, as a customer I am able to better understand if our goals are aligned. I know that Michael Dell is committed to offering value-based computing. Mavericks fans know I will do whatever I can to put the team in a position to win. You can't accomplish the same thing with anonymity.

Where I would agree with Collins is that a CEO can't place visibility over performance. Without performance, any visibility is just a setup for failure. There are plenty of companies that have suffered the consequences: Sunbeam, Tyco, Enron, WorldCom, etc. I get asked every week to write a book. I won't do it because I haven't accomplished what I have set out to do. Writing a book about success seems to me to be incredibly hypocritical if I haven't yet accomplished all my goals.

Q: Do reality shows teach real business lessons, or are they strictly entertainment?

A: It depends on the show. In The Benefactor, I try to re-create some of the business and personal challenges I experienced. Some I excelled at, some I failed miserably at. Every one of us thinks we have what it takes to be successful. But when the opportunity arises, most people don't have the courage to go for it. The game is a series of tests and challenges that force the players to step out of their comfort zone. Some shine, some crash and burn. Some excel, some leave in tears.

I loved doing it. It wasn't long before I went from host to part of the game. I got lied to, cheated and played, and that made it a blast. The theme of The Benefactor really is, "no balls, no babies."

About Cuban

First job: Selling garbage bags door to door at age 12.

First time he dunked a basketball: Age 37.

Greatest business executive: Andrew Carnegie.

Greatest athlete: Michael Jordan.

Best Dallas restaurant: Bob's Steak and Chop House. Order the filet mignon, medium rare.

Best sports bar in any NBA city: Kilroy's in Bloomington, Ind.

Advice to small investors: Don't buy stocks. "The only people making money are brokers and company insiders. Put your savings in the bank."

Favorite book: The Number by Alex Berenson, about how corporate fraud was driven by Wall Street's focus on quarterly earnings. Cuban liked it so much that he volunteered to write the foreword for the paperback edition.

Tips from Cuban

**Go for it. If you have nothing and lose, you still have nothing.**

**Preparation reduces risk. Sometimes, preparation may tell you to play it safe.**

**Love what you do. That spells success even if you don't make money.**

**You can't be effective and be anonymous. Celebrity CEOs are good for the company if they perform.**

**In business deals, look for the fool. If you don't see one, the fool is you.**