

David Weekley

Building Great Charities to Scale

David Weekley is a builder. It's his life's work and passion. In 1976, at the age of 23, he founded his home construction company, David Weekley Homes. He has since built it into the nation's largest privately held homebuilder, a company that closed over \$1.3 billion worth of new homes in 2007. Likewise impressive is how he has built up the company's reputation. David Weekley Homes has won hundreds of industry awards, including National Builder of the Year, the National Housing Quality Award, and America's Best Builder. Fortune magazine has named David Weekley Homes as one of America's "100 Best Companies to Work For" no fewer than seven times—including a 17th-place ranking in 2008.

Mr. Weekley also works to build up nonprofits, dedicating 50 percent of his income—and, perhaps more impressively, 50 percent of his time—to philanthropy. Among his many charitable activities, he is the former chairman and current executive committee member of the Sam Houston Area Council of Boy Scouts, a former vestryman at Palmer Memorial Church, a current member of the board of directors at St. Luke's Episcopal Hospital, a former president of the Houston Chapter of the Young Presidents' Organization, a former president of the Greater Houston Builders Association, a former chairman and board member of the Steering Committee of Metro Houston Young Life, a former chairman of the Greater Hous-

ton Community Foundation, a trustee emeritus of Kinkaid School, and the chairman of Kinkaid's \$42 million endowment campaign.

Philanthropy spoke with Mr. Weekley about his charitable giving—his guiding principles for evaluating charities, his support for character education programs, his funding of microfinance initiatives in the developing world, and his advice for new donors.



PHILANTHROPY: You regularly dedicate 50 percent of your income and your time to philanthropy. Can you tell us what inspired you to undertake such a generous philanthropic program?

MR. WEEKLEY: When I was in my early 20s, I heard a speech by a fellow named Stanley Tam. He wrote a little book called *God Owns My Business*, about being in partnership with God, the idea that what really matters is what we do with what we've been given. That's always resonated with me personally. I look at it like this: I've been gifted and blessed with certain skills that have allowed me to create wealth that I don't necessarily deserve. And I assume that I was gifted with these skills, and the resources they created, because I'm supposed to do something positive with them. So, today, I donate 50 percent of my finances, and, probably more importantly, 50 percent of my time. I've been doing that since the early 90s, so for the last 15 years or so.

The important thing for me was to define "what was enough." Once I reached the point of financial security, I

went ahead with the 50 percent principle. Besides, I had been running my building business for about 20 years, and I realized that I had reached a certain level of expertise. I was looking for new challenges, and the nonprofit world interested me. Call it restlessness, maybe a little bit of middle-aged crazy, but it was a real desire to do something new.

Also, as an entrepreneur, I found that once the company got to a certain size, it was really almost outside my natural skill set. I brought in professional management, a COO who has since become president and CEO. And, once I got started with serious philanthropy, I found I really enjoyed it because it appealed to my entrepreneurial instincts. I could have immediate impact on high-performing charities, and I could move faster than I could with a billion dollar company.

PHILANTHROPY: How rigorous are you about giving 50 percent of your time and money to philanthropic causes? To put it another way: if you felt that the programs you were considering weren't particularly great, would you scale back your giving until you found programs you thought were truly excellent?

MR. WEEKLEY: Well, I'm rigorous about dedicating 50 percent annually to charity—most of it to my foundation. But the total amounts paid out each year to charities don't necessarily equal that year's contribution. Some years, the foundation might give away 30 percent of that amount. Some years it might be 100 percent or more.

To me, it's two separate decisions. The first is that I'm going to give to charity, and the second is which charity I'm going to give to. The second decision is much harder. Sometimes people end up reaching this point and suddenly realize, "Uh-oh, I really should give some money to charity." They just go and pick organizations based on who sent a year-end appeal or because a friend is involved, and to me that's nowhere near as effective as it could be or should be. I look at a philanthropic investment every bit as seriously as I look at a business investment.

PHILANTHROPY: What specifically do you look for when you're evaluating charities?

MR. WEEKLEY: I really look for three things when I look at charities I might fund. One, is it high leverage? I'm in real estate, so I like high leverage. By which I mean: Will my investment

yield a high result? Two, is it scalable? I want to know if the organization has the leadership, vision, and desire to grow and serve more people. And, three, is it sustainable? I don't want to give when I'm expected to become a major ongoing operating giver at a significant level year after year. I want to give to something where I can hit, make a big difference, and move on. I'm an entrepreneur. My attention span isn't that long.

When I think about scalability, the challenge is that while folks who run nonprofits have wonderful, big hearts, and are often great at running their programs, by virtue of the fact that they've chosen to spend their lives running nonprofits, they may not have the necessary drive to get larger and expand impact. Besides, many of them think their job gets harder the more they grow. They have to raise more money, oversee more money, do this, do that. Since they aren't normally money motivated anyway, it's sometimes difficult to find nonprofit leaders and managers that really want to scale their charitable endeavors.

Sustainability, on the other hand, requires funding mechanisms that aren't solely dependent on charitable dollars. In microfinance, for instance, a large part of the costs are funded by incoming loan repayments. It's a good indicator of potential sustainability when a nonprofit isn't 100 percent donor dependent. If you're totally donor dependent, it's hard to continue to grow more donors geometrically, so your growth and impact will be limited. How much room for growth is there if I have to raise \$1 million, then \$5 million, and then \$10 million?

PHILANTHROPY: Where would you say your philanthropy has added the most value?

MR. WEEKLEY: In my mind, I've added the most value where we can give people a hand up rather than a hand out. It's been when we created capacity, either in the individuals receiving the benefit or the organizations that I'm funding. So how can we create more capacity, learnings, or skill sets?

I give time as well as money. A lot of people don't have the luxury to offer their time, but I have structured my business so that I do. It allows me to meet with nonprofit executives in my areas of interest and find out from them what their constraints really are. Is it funding? Is it board development? Is it computer systems? Is it knowledge? Is it experienced personnel? What's keeping them from doing more than they're already doing?

What usually happens is this: a nonprofit needs a contribution, so they'll come see me. Prior to the meeting, I'll ask them to send me information about their organizations, including budgets, boards, strategic plans—as much detail as I can get. I try to learn enough about them to find out what's keeping them from moving to the next level.

Sometimes they don't have any internal constraints—they just need funding. In that case, I can just write a check and say, "You guys are doing great, thanks so much, and I'm glad to support you." Other times we'll see that it's fundraising or developing long-term strategy or getting a more powerful board in place that can help an executive director move an organization forward.

PHILANTHROPY: I assume that, as with every charitable dollar invested, you try to get maximum return on every philanthropic *minute*. Have you thought about ways to streamline your nonprofit consulting?

MR. WEEKLEY: I've worked with a group in Houston for about six or seven years called Sterling & Associates. They can move in and help charities with campaign strategies, strategic planning, internal operations—a whole variety of issues. These nonprofits don't want to spend \$5,000 to \$10,000 per month to hire a professional, so I make the expertise available to help them move from one level of competency to another. Sometimes it works and sometimes it doesn't. I'd say we have a 75 to 80 percent positive impact rate. When it does work, my investment of \$50,000 or \$100,000 worth of consulting time can move an organization from raising \$500,000 per year to \$1 million per year, and continue doing so into the future. That's what I mean by "high leverage."

PHILANTHROPY: A particular interest of yours is programs that build character among youth. Now, character development has traditionally been viewed as the responsibility of families, schools, and churches. Why do you think this is a good time for donors to enter this space?

MR. WEEKLEY: In my mind, character development is utterly crucial and has been seriously overlooked. People give millions of dollars to their alma mater, and they give huge sums of money to the hungry and the homeless. Yet for all that, it's clear that the society around us today is much different, and in many ways worse, from the society in which we grew up. In many

ways, I think, it's the decline of personal character and ethics that account for the deterioration.

I believe that it's the parents' primary duty to instill character, but we all know that today many children do not grow up in the classic American family, with a long-term married mom and dad both in the household. I think that looking to other organizations and institutions to help is necessary and positive. In the past, we've had groups like the Boy Scouts, the YMCA, and the Boys and Girls Clubs, and they've done a great job.

PHILANTHROPY: You mention some of the mainstay character development programs, like the Boy Scouts. A lot of these groups have to walk a fine line: insisting on high moral standards without alienating at-risk youth by appearing "uncool." What do you look for in a program as it tries to maintain that balance?

MR. WEEKLEY: If you're looking at character, you need to look where the kids are. Kids spend most of their time in school, so getting character education into schools is a good start. It makes sense to work with school systems—with KIPP or YES or some of the charter schools that you've highlighted [please see "Growing Up Fast," *Philanthropy*, March/April 2008]—to get character education built into the curriculum.

In addition, sports is where the kids are. There are tens of millions of kids and parents involved in sports, creating a perfect opportunity to positively influence kids. There are a lot of "teachable moments," and with good adult role models, male and female, I think sports can be a great character builder. Another way of looking at it is that, today, the Boy Scouts market penetration is at 20 or 25 percent, so 75 percent of boys aren't reached through scouting. Yet the market penetration of sports is much higher, 75 percent or so.

PHILANTHROPY: Most youth sports leagues are proudly local; it's a highly diffuse and fragmented market. How does a donor interested in scaling up great programs make a contribution?

MR. WEEKLEY: We've had experience with both local and national organizations. Those that work really well—and grow quickly—are those that have decentralized leadership and local boards. Local boards are critical. Most people focus on their local organizations first, and will give to a program that's all about Houston, for example. If you look at the most

successful character education programs—the Boy Scouts, the YMCA—you find that they have local boards that run local chapters. They’re re-chartered on an annual basis to ensure that they maintain the national standards.

As for youth sports, we went around the country and tried to find the very best sports program with a character education emphasis. What we found was PCA, the Positive Coaching Alliance, in Stanford, California. They already had four or five different locations, and we wanted to bring them to Houston. I made a matching grant to get them started here, and we got a board established. They’re growing in Houston, recently started in Dallas, and we’re coming up with a franchise model to try to help them expand around the country.

PHILANTHROPY: What advice would you give to donors who are interested in supporting character education programs for young people?

MR. WEEKLEY: First of all, donors should consider the importance of character development. In my mind, it’s every bit as critical as economic aid or health care or education reform. There are three primary traits for success in life: motivation, education, and character. When people have motivation and education coupled with poor character, they can do real damage to society.

Second, donors should search for organizations that effectively deliver character education. There are different programs in every city, with different areas and levels of expertise. I recommend finding who really delivers the goods and then going to see them in action. Donors should always do the due diligence necessary to ensure that programs are delivering results for the funds given.

Third, donors should support these programs not just financially, but with whatever bully pulpit they might have. Oftentimes the best service providers aren’t the best at marketing or fundraising. Donors should work at promoting these programs among fellow donors, raising their image in their communities.

PHILANTHROPY: Speaking of local organizations, your giving tends to focus, on the one hand, on your local area, Houston, and, on the other hand, internationally, particularly in Africa. How did this division of labor come about?

MR. WEEKLEY: I don’t know if this happens with other folks, but I found that when I became serious about philanthropy, it was easiest to determine the needs in my own community. When you start working in your own community, there are a lot of positives. You’ve already got relationships. The programs you support are accessible and visible. You can go see them, talk with them, get a feel for them. And you get lots of affirmation. There are many reasons why people give locally, and I think that it makes a lot of sense. I myself focused on those kinds of things in the first 10 years of my giving.

Then I started to think internationally. For the first few years, my initial reaction was that the problems are so large that I couldn’t begin to have an impact. My dollars, while significant in Houston, were insignificant in Africa. I would ask myself: How could I really make a difference? I tried to put it out of my mind and pretend that the pain and suffering there didn’t exist, but it kept gnawing at me.

PHILANTHROPY: What ultimately got you started?

MR. WEEKLEY: I started educating myself, reading the literature on developmental economics. I highly recommend Hernando de Soto’s *The Mystery of Capital*, as well as Paul Collier’s *The Bottom Billion*. Both of them make a lot of sense. They confirmed what I had long suspected—that history has proven time and again that simply giving things to people may undermine their ability to do things themselves. If you want to make a difference, you have to help people to help themselves.

I also started traveling—not for vacation, but to study these countries. In the past several years, I’ve probably been to, I don’t know, 15 different countries, including China, India, and countries in eastern Europe and Africa. I have worked with a group in England called Leader’s Quest, which takes you to a country for a week and really submerses you in its economic, business, charitable, and political climate. You go from dawn to midnight, meeting with people, learning about those countries.

In Africa, I spent most of my time in Rwanda. I visited President [Paul] Kagame, who made it clear that he didn’t want charity in his country. He had seen charity ruin too many African countries, creating a sense of entitlement.

Instead, he wants *investment* in Rwanda. A lot of enlightened African leaders are beginning to think like that.

So I kept reading, and visiting, and trying to discover what this little guy from Houston could do to make much of a difference. And then I discovered microfinance. I was drawn to microfinance because it gave a hand up instead of a hand out. I've seen microfinance in action in numerous countries. I've seen how it fosters entrepreneurship around the globe. I'm especially drawn to smaller, faith-based microfinance groups, like Hope International and Opportunity International, which go into the tougher places.

PHILANTHROPY: It's interesting you mention the "tougher places." One of the biggest worries regarding microfinance initiatives is that, while they undoubtedly expand economic opportunity for the world's poor, they do not fundamentally address corrupt institutions. Do you worry that microfinance will ultimately fail unless nations adopt clear property rights underpinned by rule of law, enforceable contracts, and an independent judiciary? If so, what can donors do to remedy such deep, structural problems?

MR. WEEKLEY: Until I went to some of these countries, I had not really understood or appreciated that, without the rule of law, all personal freedoms are at risk. It's so alien for those of us from America. It's actually hard for us to imagine a society in which a family member could be raped—and there would be no legal recourse at all. In fact, if you go to the authorities, the victim herself could be put in jail. It's just completely alien to our experience.

I tend not to give in countries like that, in the countries with truly horrible regimes. I have limited resources, as all of us do, and I have to choose where to give. I'm not going to help those countries with horrible regimes. In some ways, it enables them—it helps prevent uprisings or much-needed change. Instead, I'm going to give in those countries where people have a decent chance at getting ahead. I realize that's probably a controversial view—people are in need in all of those countries—but ultimately I have to keep asking myself: "What's the best I can do?" I've made a personal decision that, with my limited funds, I will restrict my giving to those places that have a political climate with some degree of freedom.

Now that's not to say that there isn't lots of room to help countries really improve their judicial systems—rule of law, enforceable contracts, and all the rest. In fact, there are very few resources going into this area. I have found one organi-

zation that I'm involved with called IJM, for International Justice Mission, founded by an incredible lawyer name Gary Haugen. It's the only international organization that I know of that is working around the world to strengthen the rule of law. They are doing terrific, life-changing work.

In most countries, there are actually laws on the books, but there are terrible problems with enforcement. There aren't any good prosecutors, there's corruption, and there are payoffs. What IJM does is go in and find the individuals and organizations that have the right values, and then it helps them prosecute lawbreakers. When that happens, when they successfully prosecute an offender, it doesn't just impact that one offender, it impacts the folks throughout the society. In too many countries, there are absolutely no legal consequences for breaking the law. What the International Justice Mission does is show that there can be consequences, and that people need to start obeying the law. It ends up having a dramatic multiplier effect.

PHILANTHROPY: How do dramatic multiplier effects influence your giving? For example, have you ever stopped funding a microfinance initiative because of its success, because it became sufficiently profitable that it was a self-sustaining, for-profit enterprise? If not, how long are you willing to fund one without it becoming self-sustaining?

MR. WEEKLEY: Is it good for microfinance to become a self-sustaining, for-profit enterprise? I'd say, yes, it is. As soon as microfinance has developed reliable capital networks, we can direct our charitable dollars elsewhere. But the places where I support microfinance are nowhere near that point. There are some countries, like the Democratic Republic of Congo, where it will be years, if not decades, before that kind of systemic change will occur. I focus on the bottom billion, the poorest of the poor. China and India—they'll be able to pull themselves out over time. With my limited resources, I focus on those countries that will have a tough time pulling themselves out without some invested capital.

PHILANTHROPY: Aside from microfinance, have you found other programs or concepts in developing countries that build economic capacity while being scalable and sustainable?

MR. WEEKLEY: Yes, absolutely. Another concept which I find very exciting involves micro-clinics. These are just getting started, and I hope they will eventually be as successful as

microfinance. They provide health care in the developing world, and have a for-profit component that helps generate revenues. Currently we're investing in four different micro-clinic organizations, including the Health Store Foundation, as well as several start-ups in different African countries. It's really like venture capital going into small, high-leverage, and ultimately sustainable health-care enterprises.

Right now, there are billions of dollars being spent on AIDS treatment, billions of dollars being spent on big, new hospitals, and all sorts of big, new projects. These are all good programs, and they have great public relations campaigns and are very well known. But the reality is that by taking simple steps to treat tropical disease, you can save many more lives in Africa for a much lower cost—and you can do that while employing people, teaching them new skills, and making them economically self-sufficient.

Essentially, micro-clinics provide basic health care. They treat the 70 to 80 percent of diseases that kill people in Africa, whether it's malaria, dysentery, parasitic diseases, or a limited number of other things. One of the micro-clinics I invest in trains healthcare workers for two or three weeks, teaching them about the two dozen or so diseases that they're most likely to encounter. They train the healthcare workers, send them out into the cities and fields, and give them some drugs and equipment. Then they can make a living. They have valuable skills. They can make a living by charging for service, all the way up to creating their own network of micro-clinics. There are all sorts of ideas about how to scale up the model. One group is looking at multi-level marketing, kind of like the Avon franchise. Another group is setting up kiosks in various places. Another group rents space, sets up pharmacies, and ensures quality drug distribution.

Just as microfinance helps people get a leg up on business, micro-clinics help people get the health care they need. It's a great service and a real need, all over the world, but especially in developing countries. We're still on the leading edge of this concept, but the potential is there for a model that will keep more people alive and healthy at a much-reduced cost. To me, it's a truly entrepreneurial idea. It's something that works creatively to make the world a better place.

PHILANTHROPY: What advice would you give to a fellow donor who is thinking about starting to give overseas?

MR. WEEKLEY: Just as I have a team that works with me in Houston, I now have someone who works with me full time on international projects, doing most of the traveling and so forth. I've tried to work through other groups, but there's a lot of overhead that's needed to establish that the funds they're responsible for will be given appropriately, in the right amounts, and where they're needed. Personally, I've found that I've been less satisfied with giving to an organization that gives to others. When I work internationally, I try to figure out the needs on the ground for myself. I found it more fulfilling and effective to take on some of those responsibilities myself. That's hard to do, but with the right networks, and time, and people, you can discover a lot yourself and then make things happen.

But even with a real commitment of time, funds, and patience, new donors have to realize that they're going to fail some. Overseas there are different understandings about how people should use charitable funds. In many countries, there are all sorts of paternalistic expectations—that sort of thing. It's absolutely critical to find and fund those folks who can really get the job done on the ground. It's a huge challenge—and opportunity.

PHILANTHROPY: Looking ahead, what are your future philanthropic plans? Are there any charitable endeavors you would like to undertake, but haven't yet?

MR. WEEKLEY: I want at least half of my giving to be directed internationally, and I'm not at that level yet because I haven't been able to find the right organizations, those that are on the ground doing what needs to be done. When I do find them, I know I'll be excited about them and I'll fund them generously. So I guess that's one future challenge—finding more and more excellent international programs.

Also, I've still got excess funds in my foundation. My goal is to spend down the entire foundation by the time I'm gone. That's why I need to be willing to invest the time as well as the money. I'm not trying to build a foundation that will be here long after I'm gone. I'm trying to go invest it today.