



Place-Based Philanthropy: Who is that in my backyard?

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ABSTRACT

Traditional government support for community development is declining, but a relatively new form of institutional philanthropy is emerging as a player in this space with place-based grantmaking. While institutional philanthropy in the United States has been around for over 130 years, place-specific grantmaking still represents a relatively new philanthropic practice. Interest in this style of grantmaking is growing, but there remains much to learn about how it is practiced. The practice of place-based grantmaking is evolving and it appears there are striking differences in approaches employed by funders based upon where they are physically located. Research suggests local and non-local foundations employ different, often incompatible approaches to community development. Based on data from 91 U.S. foundations, this article explores place-based grantmaking in the United States and how it is practiced by local and non-local foundations.

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Introduction

As a consequence of a devolving federal government, many communities are searching out new sources of support for community development (Harrow & Jung, 2016). Fortunately, new players are emerging to help fill the resource void created by declining governmental support. In particular, foundations have progressively entered the space of community development (Malombe, 2000). See [Figure 1](#) for a list of types of funders emerging as supporters of community development.

Institutional philanthropy in the United States is referred to by Powell et al. (2019) as essentially grantmaking foundations. The field of institutional philanthropy is believed to have been founded by George Peabody in 1867 (Parker, 2003; Robb, 1994). His example of using great wealth for the benefit of society was followed by several contemporaries and was arguably further catalyzed by Andrew Carnegie's 1889 "Gospel of Wealth" (Theroux, 2011). Institutional philanthropy has since morphed into what we today know as independent, private foundations.

Institutional philanthropy did not necessarily start with a focus on place-specific giving but this form of grantmaking has developed into what is today referred to as place-based grantmaking. Colinvax (2018, p. 2) defined place-based philanthropy as "spending

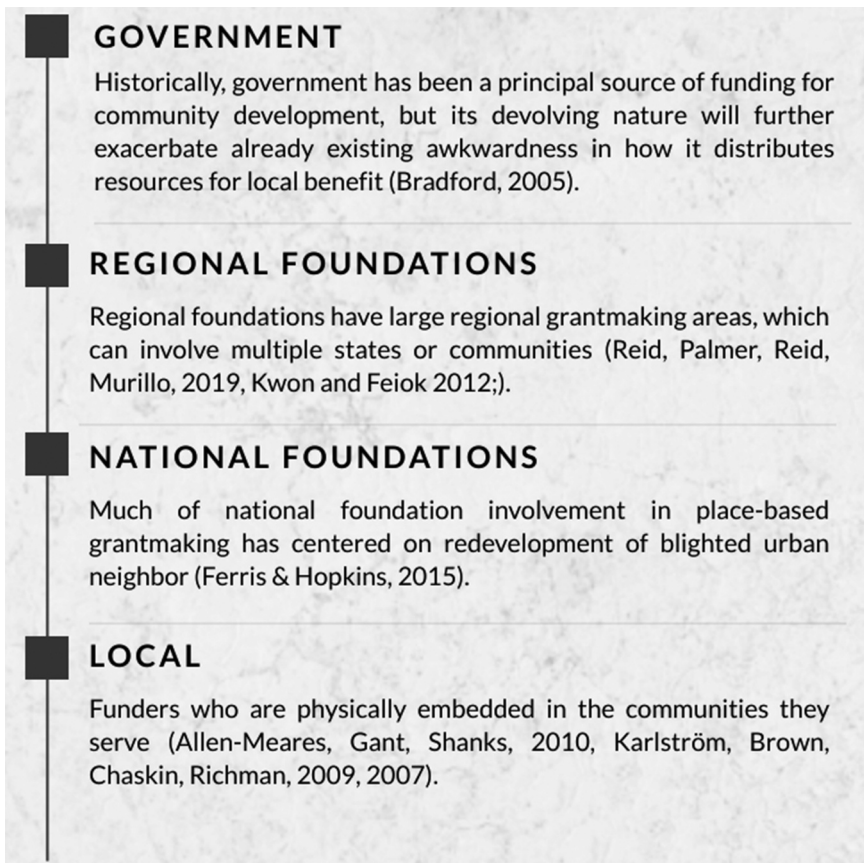


Figure 1. Funders engaged in community development.

money for the benefit of the community served,” further establishing that “communities could be urban, rural, and even regional but the main idea was to provide philanthropic support for identifiable communities under the guidance of community leaders.” Hereinafter, we refer to local funders, those located within the communities they serve, as embedded, but it should be noted that place-based philanthropy is practiced by both embedded and non-embedded (non-local) funders. Though in existence for decades, place-based grantmaking is a form of philanthropic practice that remains new to many foundations (Ferris & Hopkins, 2015; Kubisch et al., 2010; Pill, 2019). As an evolving practice, place-based grantmaking has required foundations to acquire new competencies (Mazzei, 2017) as it becomes more ubiquitous in the philanthropic lexicon. Communities too are adapting to differences between working with foundations in lieu of government (Reid et al., 2020).

To effectively engage in place-specific grantmaking, foundations need to access and assimilate critically important community-specific knowledge (Karlström et al., 2009), master principles of effective embedded grantmaking (Allen-Meares et al., 2010; Lowe, 2004; Williamson et al., 2021), and develop new skills for collaborating with multiple

funders (Reid et al., 2020). For embedded foundations, intimate place-specific knowledge is a natural outcome of their everyday work (Sojourner et al., 2004). Embedded funders are physically positioned within, and routinely interact with, the communities they serve. For non-local foundations, acquiring accurate place-specific knowledge is less than straightforward (Reid et al., 2020). Place-specific grantmaking is a nuanced form of philanthropic practice yet to be fully defined and mastered (Mazzei, 2017). While foundations represent new opportunities for resource-starved communities, inexperienced place-based grantmakers could prove disruptive to community development (Allen-Mearns et al., 2010).

The term community development can mean many things. It involves a variety of competing ideas, strategies, and forms of practice (Green, 2016). For the purposes of this research, we define the term community development as a polymathic, multidisciplinary endeavor intended to stabilize, improve, and/or grow specific communities. It is a comprehensive undertaking often involving multiple strategies/projects but is intensely community-centric as the aspirations and needs of communities are place-specific and can vary significantly from one community to another (Cavaye, 2001; Spoth, 2007). The proximity of philanthropic funders to the communities they serve can influence the ease with which perspectives about local circumstances are assimilated and how approaches are adapted in community development (Reid et al., 2020).

In this article, foundations engaged in place-based grantmaking are referred to as either embedded or non-local, depending upon whether they are physically located within the communities in which they make grants (Sojourner et al., 2004). Research in 2019 on rural philanthropy revealed marked differences in approaches to place-based grantmaking between embedded and non-local foundations (Reid et al., 2020) evidencing inconsistencies in practice with respect to this style of grantmaking.

Reid et al. (2020) discovered distinct differences in the approaches employed by embedded and non-local foundations, which too often proved irreconcilable leading to a disinclination among embedded foundations to even attempt multi-funder collaboration with non-local foundations. Embedded funders tended to act in ways non-local foundations described as territorial, preferring to work independently rather than to risk potential for compromising local relationships by involving less place-sensitive funders. Embedded and non-local foundations occasionally viewed each other's approaches with skepticism. Such disparate approaches are further explored later in this article.

Possession of disproportionately greater financial resources can result in uneven power distribution in relationships between funders and grant seekers. Resource providers are inherently more powerful than resource-seekers (Pfeffer & Salancik, 1978). This becomes an important issue in community development, because community-based change requires local ownership of project objectives and strategies (Allen-Mearns et al., 2010; Kubisch et al., 2010) rather than blanket deference to aspirations and approaches postulated by non-local actors.

However, resource-based power imbalances do not merely exist between funders and grant seekers. They can also exist between funders with disparate capacities such as grantmaking resources and/or personnel with deep subject matter expertise. National foundations more often push for adoption of pre-designed initiatives while embedded funders emphasize locally developed projects (Reid et al., 2020). Given dynamics related to power distance between funders and fund seekers arising out of

intense need for resources, communities occasionally find themselves on the sidelines of their own community development initiatives, which can be further complicated by tensions arising between funders. Power distance between funders can result in competing dynamics between funding institutions – making community development even more challenging.

Both resource-starved communities and smaller funders can experience disconcerting loss of control over their communities/projects as a result of disparate power in their relationships with non-local funders. This dynamic represents a persistent source of tension that has historically played out in relations between national and local governments (Bradford, 2005). Interjecting a new set of non-local funders can result in similar tensions, especially when these new funders have rigidly designed initiatives, are inexperienced in principles of place-based grantmaking, and/or when multiple funders employ competing approaches/practices (Easterling et al., 2019).

Community development is complex, resource-intensive, trust-based, and nuanced by complicated circumstances unique to each community (Kubisch et al., 2010; Spoth, 2007; Williamson et al., 2021). As institutional philanthropy expands its footprint in community development with place-based grantmaking, individual funders often require resources beyond what they can singularly provide (Bradford, 2005). This has prompted the need for collaborative arrangements involving multiple funders including both embedded and non-local foundations. However, foundations often fail to collaborate effectively among each other (Chaskin, 2005), a dynamic that can complicate efforts by communities to engage with relatively new revenue-providing actors.

Devolving governmental support (Harrow & Jung, 2016) combined with occasional unfair distribution practices often based more on political calculus than objective assessment of need (Pender, 2015) can too often result in severely under-resourced community development efforts. This has been especially so in underprivileged and sparsely populated locations (Pender, 2015). Foundations represent an opportunity to help fill a growing resource gap resulting from declining governmental funding and, fortunately, are less influenced by external political considerations in how they allocate resources (Reid, 2015).

There are many challenges to place-based philanthropy beyond making grants. Communities often vary in significant ways such as whether they are located in urban or rural settings, as well as the extent of economic vitality and diversification, sophistication of local leadership, capacity of local governments and nonprofits, cultural norms, existence of factor endowments, and proximity to urban settings (Reid et al., 2020). Much progress is needed in how communities and foundations define and manage their work together in pursuit of local development (Allen-Meares et al., 2010).

Place-based grantmaking – An evolving form of philanthropic practice

The literature on place-based philanthropy remains modest and incomplete (Glückler & Ries, 2012). In our review of the literature, we observed three distinct phases in the progression of place-based grantmaking in the United States. Some foundations have practiced place-based philanthropy for a very long time but for many others it remains a new form of grantmaking practice. See, [Figure 2](#) for a listing of observed phases of development in place-based grantmaking.



Figure 2. Phases in the evolution of place-based grantmaking.

The growing footprint of philanthropy in community development has prompted a paradigm shift in the way funder engagement is evolving (Mazzei, 2017). It appears that place-based grantmaking may have started over 100 years ago with the advent of community foundations (Harrow & Jung, 2016). Community foundations were initially established with community-specific purposes in mind, making them natural practitioners of embedded grantmaking.

National foundations followed community foundations in place-based grantmaking beginning in the 1960s with initiatives focused on neighborhood revitalization (Ferris & Hopkins, 2015), bringing remotely located funders into this location-specific style of grantmaking. They introduced more sophisticated grant strategies with research-based evidence and extensive theoretical models. Accordingly, national foundations have introduced greater rigor into project design.

As a consequence of unprecedented intergenerational wealth transfers (Schervish & Havens, 2014), private foundations are growing faster than other sources of charitable giving (Dubb, 2021). Many new private foundations are relatively small and increasingly located within the communities they serve, giving rise to the concept of embedded philanthropy (Karlström et al., 2009). Just under 90% of all

US private foundations have assets of \$10 million or less and 71% have been in existence for 15 years or less (Foundation Source, 2021). Thus, many foundations in the United States are relatively new and possess limited resources.

By virtue of their modest assets, these smaller private foundations are more likely to invest much of their grantmaking resources in charitable activities closer to home. By contrast to many larger, more established funders, private, embedded foundations introduced a more organic, highly flexible approach to place-based grantmaking and have demonstrated greater willingness to embrace projects with high-risk/high-reward potential (Reid, 2018). Their non-fundraising, endowed status provided greater insulation from, and less sensitivity to, concerns about the potential for project failure. Accordingly, they afforded communities greater opportunity to experiment and learn from project failures without consequence to prospects for future funding.

The progressive emergence of new philanthropic actors in community development appears to be evolving into a more formal practice of place-based grantmaking. The following summarizes the engagement of different foundation players in advancing the art of local grantmaking:

- **Community Foundations:** Community foundations are naturally place-centric as most exist within and are funded and governed locally (Colinvaux, 2018; Hodgson & Knight, 2016). As such, they are often embedded foundations. Community foundations develop and fund projects for intended beneficiaries who are part of their own sense of place. This naturally equips them with inclinations toward the people and circumstances of place (Green, 2016; Hodgson & Knight, 2016). Community foundations employ strategies for “distributing leadership” in ways intended to empower localities, which has become an important principle in collaborative embedded philanthropy (Easterling et al., 2019). In doing so, community foundations have contributed meaningfully to the “architecture” for localized philanthropic engagement (Harrow & Jung, 2016). Arguably, they were among the first to employ poly-mathic orientation to local grantmaking, integrating a multiplicity of institutional and community assets to expand philanthropic impact across a wide array of objectives. Assets deployed by community foundations not only included financial grantmaking resources but also adopted community-centric focus (as opposed to purely cause-based interests), constituent governance, and use of deep local trust-based relationships to facilitate charitable objectives (Pill, 2019). Unfortunately, the advent of commercially sponsored donor-advised funds seems to have become a popular philanthropic vehicle for donors. Commercially sponsored donor-advised funds are typically nationwide institutions rather than embedded grantmakers such as community foundations. Rampant growth in contributions to commercially sponsored donor-advised funds appear to have become competitive, and disruptive, to fundraising efforts of community foundations, as they both seek to appeal to a finite market of individual donors (Pill, 2019). Commercially sponsored donor advised funds are charitable vehicles launched, and managed, by for-profit financial firms. Today, commercially sponsored donor-advised funds control, in aggregate, greater

total financial assets than all US community foundations combined (Colinvaux, 2018; Pill, 2019). This circumstance will likely limit the capacity of, and leadership role in, embedded philanthropy by community foundations.

- **National Foundations:** It appears that national foundations first entered the realm of place-based grantmaking in connection with the civil rights movement, focusing on improving economically disadvantaged, blighted urban neighborhoods with a social justice lens (Ferris & Hopkins, 2015). Their contributions to neighborhood development have been meaningful. However, they typically employ macro-style, evidence-based, and top-down approaches (Harrow & Jung, 2016; Sanga et al., 2021), which can fall short of the sensitivity to place-specific circumstances needed for effective engagement of local stakeholders (Easterling et al., 2019). Foundations in the United States are progressively engaging in approaches to grantmaking referred to as strategic philanthropy (Brown, 2012). This typically involves integration of research evidence and elaborate theoretical models into the design of grant strategies to enhance prospects for achieving desired social change. National foundations have particularly good access to subject matter expertise placing them in an especially strong position to engage in strategic philanthropy (Reid et al., 2020). They have advanced rigor in philanthropic practice by integrating applied research and theoretical models into their grant strategies. However, this can result in foundations assuming unilateral roles as architects of change utilizing pre-articulated, top-down approaches, which are too often experienced by beneficiaries as controlling, paternalistic, and heavy-handed (Reid et al., 2020). Top-down approaches to grantmaking can impede local ownership, which is essential to effective community development. Despite genuinely altruistic motivations, rigid application of predesigned programs can run contrary to effective principles of place-based grantmaking (Reid et al., 2020).
- **Emergence of a New Breed of Embedded Foundations:** Use of embedded grantmaking is accelerating with rapid growth of embedded family and health conversion foundations. Family foundations are typically established in an intersecting relationship between family concerns, economic ties, and intimate connectedness with community (Feliu & Botero, 2016), positioning them for location-specific interests for which there are often family legacy-related objectives tied to place. These foundations are established, funded, and privately managed by wealthy families. Health conversion foundations arise out of the sale of nonprofit health-care organizations to for-profit entities. Health conversion foundations typically maintain closely aligned relations with the communities in which their health-care operations were initially based – using endowments established from proceeds arising out of transactions with for-profit companies (Mitchell, 2014). Both kinds of embedded foundations are often community-sensitive and naturally engage in embedded grantmaking (Karlström et al., 2009). Like community foundations, their connectedness to, and understanding of, specific communities is visceral (Reid et al., 2020). They view the communities they serve as their homes and beneficiaries as neighbors. Embedded foundations commit themselves to specific communities for very long timeframes and are highly relational with their grantees. Embedded foundations value flexibility in strategy, electing to meet communities where they are rather than where they are expected to be (Karlström et al., 2009). They prefer to defer power onto community leadership rather than serving as leaders themselves (Easterling

et al., 2019; Reid et al., 2020). This allows for a more genuine community-centered approach to philanthropy where foundations are not sole architects of strategy but instead seek to co-create with community partners. Karlström et al. (2007, p. 2) described the defining features of embedded foundations as intensely community-oriented. This involved local physical presence, deep civic engagement, ability to access local relationships in ways genuinely instrumental to community development, and thinking well beyond the financial dimensions of grantmaking. Specific types of embedded funders are detailed in Figure 3.

The discussion to this point of foundations involved in community development would not be complete without noting that there is a fourth category of foundations occasionally engaged in place-based grantmaking. This is a category of foundations not national in scope but neither are they specifically embedded. These are often foundations with large, regional grantmaking areas (Kwon et al., 2012). Regional foundations occasionally collaborate with national and/or embedded funders and often serve as a bridge between such disparate funders (Reid et al., 2020) but were not the principal focus of this study. Yet, for the purposes of this research, regional foundations are considered merely as non-local funders similar to national foundations. Accordingly, there was no need to address them discreetly in this article.

The practice of place-based grantmaking

Place-based philanthropy represents an opportunity to better construct and evaluate localized grantmaking (Ferris & Hopkins, 2015; Mazzei, 2017) and can better empower and develop local leadership for lasting change (Easterling et al., 2019). Communities are often strikingly unique and their circumstances can evolve and change rapidly (Spoth, 2007). Decentralized, flexible project governance is fundamental to place-based philanthropy (Ferris & Hopkins, 2015). In contrast to national governments and foundations, embedded funders engaged more effectively in place-based grantmaking and their presence was more intimately experienced across stakeholders (Reid et al., 2020). The value of “being there” in place-based philanthropy is difficult to overstate (Glückler & Ries, 2012).

Place-specific grantmaking is assuming an increasingly larger role in philanthropic practice (Glückler & Ries, 2012) and it is distinctly unique from more traditional forms of philanthropy. It should be said that this form of grantmaking involves more than geography. Place-based grantmaking takes into account a multiplicity of factors connecting people to specific places (Williamson et al., 2021). For funders, focusing on place is somewhat akin to playing “multi-dimensional chess,” pursuing philanthropic objectives while attending to many contextual, often changing matters such as local leadership, culture, literacy, capacities, and economies (Reid et al., 2020). Place-based grantmaking typically involves recurring grants addressing a variety of matters considered important for location-specific community development. This is significantly different than grants with narrowly defined or singular purposes (e.g. addressing a specific theme of interest). Embedded grantmaking progressively centers on intimate community relationships, responds to existing and evolving circumstances, and builds upon prior grants in furthering local capacity and/or trust (Sojourner et al., 2004).

FAMILY FOUNDATIONS

Many family foundations maintain long-term commitments to the communities in which their wealth was created and/or where donor families were raised (Feliu & Botero, 2016, Reid, 2015, Murdock, Garrigan, Lavin-Louks, Murdock, Thibos, 2007). Family Foundations are entrepreneurial, innovative funders - engaging uniquely intimate relationships with communities and grantees (Reid, 2018).

LOCAL HEALTHCARE CONVERSION FOUNDATIONS

Health conversion foundations can be regional or place-specific with respect to grantmaking focus. Healthcare conversion foundations arise out of the sale of the assets of nonprofit healthcare organizations to for-profit firms (Mitchell, 2014). When a transaction involves a local hospital, the resulting healthcare conversion foundation typically maintains its original local community focus. According to our research (Reid, 2015), local healthcare conversions tend to combine practices associated with community foundations (e.g., constituency-based approaches with broad community representation on their boards and significant sensitivity about external stakeholder accountability) and private foundations (e.g., non-fundraising, endowed, bottom-up and organic style of grantmaking). Board members of local healthcare conversion foundations viewed their resources as community derived and accordingly felt a heightened sense of accountability to their external stakeholders.

COMMUNITY FOUNDATIONS

Many community foundations are physically located within the communities they serve (Hodgson & Knight, 2016).

Figure 3. Types of embedded funders.

There are many challenges to effective place-based philanthropy. Included among them is the need for local intelligence, strategic relationships, trust, flexibility, coordination, and shared governance in which diverse stakeholders participate (Reid et al., 2020). Developing strategies and project governance to manage these challenges requires effective collaboration among funders and local communities. However, foundations do not have a history of getting along with each other (Chaskin, 2005; Easterling & McDuffee, 2019).

Focusing on place is less about specific causes or themes in grantmaking and more about long-term commitments to the progressive wellbeing of specific places (Karlström et al., 2009; Murdock et al., 2007). Given that circumstances can be highly unique from one community to another, place-based grantmaking does not easily lend itself to linear planning and straightforward governance, nor is it precisely replicable to other locations (Reid et al., 2020). Every community is unique in specific and meaningful ways (Ferris & Hopkins, 2015), giving rise to the need for a more bottom-up, place-specific approach to project development.

Place-based grantmaking involves much more than writing checks. It depends upon intimate community relationships/connections with perpetual engagement (Karlström et al., 2009). Foundations have traditionally focused on specific causes but in practicing effective place-based philanthropy they must shift their attention to complicated dimensions of place (Williamson et al., 2021), which take priority over specific causes or programmatic interests. Place-based grantmaking represents a sea change to the traditional practice of philanthropy because its principal focus is on the interests, aspirations, and circumstances of specific communities. Thematic programmatic interests (e.g. education, healthcare, workforce development, social services, ad infinitum) can also be part of, but are secondary concerns to, the practice of place-based grantmaking (Karlström et al., 2009; Reid et al., 2020). Williamson et al. (2021) described place-based philanthropy as requiring an intrinsic connectedness with the multidimensional social-emotive and cultural underpinnings of place. This would seem to argue for the benefits of being an embedded funder but the work of the Association of Charitable Foundations in the United Kingdom has demonstrated that national foundations too can develop connections to specific places. Doing so requires an intimate and organic relationship between funders and the communities they serve (Green, 2016), which is clearly easier for embedded foundations but not necessarily impossible for non-local foundations.

Karlström et al. (2007, p. 2) described four key principles of embedded grantmaking. These principles involved long-term commitments to specific places, developing deep and meaningful relationships across community stakeholders, facilitating grant initiatives through local relationships, and blending financial resources with other opportunities to add value to their work. These are, however, principles for engaging with place, not necessarily a set of standardized approaches to this kind of grantmaking. Nor are they precisely linear in application. Place-based work is about meeting communities where they are and engaging them around their concerns/aspirations and then co-creating strategies. The principles as described by Karlström et al. (2007) may actually be more preconditions to effective place-based grantmaking than specific strategies.

Preconditions to place-based grantmaking involve practices that result in deep understandings of local conditions and contexts, fostering genuine relationships with community stakeholders, and establishing trusted status for funders (Allen-Meares et al., 2010). These preconditions merely set the stage for beginning place-based grantmaking. They are followed by a long relationship with communities in which strategies evolve organically in ways that are place-specific (Reid et al., 2020). While specific grant projects may evolve from evidence-based guidance and theoretical models, the practice of place-based grantmaking itself is more art than science. Yet, effective place-based grantmaking practices are vitally instrumental to integrating grant projects and community circumstances (Sojourner et al., 2004). While their approaches are reportedly different (Reid et al., 2020), place-based grantmaking has been practiced by both embedded and non-local funders. See, [Figure 4](#) for a listing of the types of embedded and non-local funders engaged in place-based grantmaking.

As a result of growing interest in place-based grantmaking, local governmental units are increasingly engaging with foundations for the purpose of community revitalization and development (Pill, 2019). Given that place-based philanthropy is still new to many foundations, approaches to localized grantmaking are still evolving (Hodgson & Knight, 2016). Due to the amorphous nature of this form of grantmaking, foundation engagement with communities can, at times, prove awkward. Local communities and foundations are still learning how to work with each other. While the national government has historically been the dominant funding source for community development, the role of government in distributing resources for local benefit has also been imperfect (Bradford, 2005). Therefore, foundations are not unique in this regard.

Whether government or non-local foundations, “top-down” initiatives driven by national policy objectives and/or strategies can compete with, rather than respond to, local needs and circumstances. Community development should be at least as influenced by “bottom-up” community-derived solutions (Harrow & Jung, 2016; Sanga et al., 2021). Well-intended efforts to design macro strategies at the national level absent intimate knowledge of the places in which initiatives are to be implemented have too often been unsuccessful (Bradford, 2005).

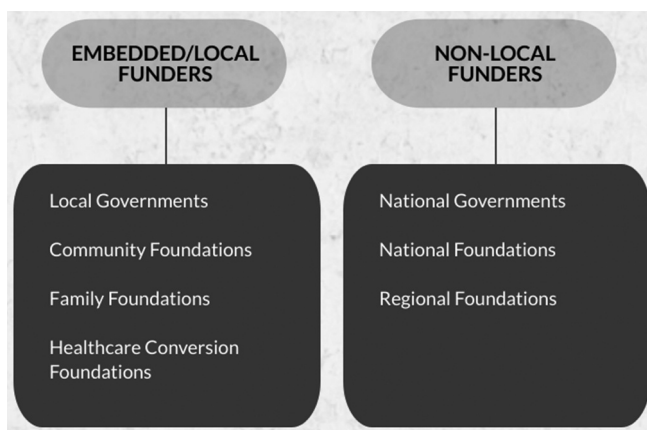


Figure 4. Local and non-local funders engaged in community development.

It turns out that challenges underlying effective distribution of resources to local communities may not be limited to government. National foundations also struggle with resource allocation in place-based grantmaking (Reid et al., 2020). This may be less an issue of organizational venue and more related to locus of control and absence of strategic proximity between those developing and those implementing strategy.

Community development is a slow process requiring significant patience among funders (Ferris & Hopkins, 2015). Embedded foundations have demonstrated greater patient involvement (Karlström et al., 2009) than have non-local foundations. National foundations have too often been unrealistic regarding the length of time required, in terms of time on the ground and length of engagement, for effective place-based grantmaking (Reid et al., 2020).

Growing interest in place-based philanthropy may be creating more opportunity for foundation-to-foundation collaboration. However, this has proven challenging in shared project design and to effective project governance due to competing philanthropic aspirations, structural approaches, power differentials between funders, and how value for local leadership is operationalized (Reid et al., 2020). Challenges to place-based grantmaking often arise out of top-down designed initiatives, which can be disruptive to localized community development. This is an area in which place-based philanthropic practice needs further improvement. See, [Figure 5](#) for how Karlström et al. (2007, p. 2) defined the practice of place-based philanthropy.

Given the devolving role of national governments, interest in the practice of place-based philanthropy seems to be growing (Harrow & Jung, 2016). This is evidenced around the globe by the emergence of initiatives intended to advance this particular form of grantmaking in a variety of jurisdictions. See, [Figure 6](#) for notable examples of international initiatives intended to advance place-based grantmaking.

Place-based grantmaking has been practiced by both embedded and non-local funders but embedded foundations more regularly engage in this style of grantmaking (Karlström et al., 2009). Embedded funders know their communities intimately and are typically highly trusted institutions because they are themselves members of the very communities they seek to serve (Reid et al., 2020). There are meaningful challenges to place-based grantmaking that are often best understood by embedded foundations (Karlström et al., 2009).

Methodology

Philanthropic practice is complex and highly nuanced. It can be particularly difficult to study given a great diversity in practices and a disinclination by many foundations to participate in research (Reid, 2015). This challenge was, in part, overcome by involving foundation associations in purposive participant selection and recruitment.

In an effort to probe deeply into matters underlying philanthropic practice, it was essential to use a research methodology capable of facilitating meaningful insights and contributing to a deeper body of knowledge. Accordingly, a qualitative methodology was employed to facilitate an explorative analysis of participant input through specific research questions (Stebbins, 2001) and the use of grounded theory (Corbin & Strauss,



Figure 5. Defining place-based philanthropy.

2008). Two existing theories, Resource Dependence Theory (Pfeffer & Salancik, 1978) and Burdened Prerogative Theory (Reid, 2015), were used to assist in interpreting stylistic differences between embedded and non-local funders.

The findings reported in this article derive from data arising out of three different studies of foundation practice involving 110 semi-structured interviews representing a total of 91 US foundations – a study from 2019 (54 foundation participants plus 3 national experts), a second study from 2014 (33 foundation participants plus 16 paired grantees), and the last from 2010 (4 foundation participants). These studies were used for the purpose of this



Figure 6. Notable initiatives advancing place-based grantmaking.

inquiry because all the three explored funder relationships with beneficiary communities with an emphasis on place-specific grantmaking. They provided valuable detail and context regarding place-based philanthropic practice and community development.

In total, there were six classes of participants (e.g. national/regional/embedded foundation staff, foundation board members, grantees, and independent subject matter experts), which supported triangulation of data interpretation (Sinkovics & Alfoldi, 2012). In all the three studies, the purposive selection of participants (Palinkas et al., 2015; Palmer & Jones, 2019) yielded considerable expertise accessed largely by intermediary foundation associations.

The size of participating foundations (measured in financial assets) ranged from a low of a few hundred thousand dollars to tens of billions of dollars. There was great diversity between national, regional, and embedded foundation participants allowing for rich insights from significantly different perspectives. Foundations were represented by board members and professional staff offering an even greater diversity of thought and experience.

Transcripts, recorded interviews, and interviewer notes from the three studies were reviewed with research questions to guide examination of observations and findings, leading to development of concepts and themes. Three research questions were used in semi-structured interviews to guide this study. They guided an exploration of place-based grantmaking practices, contrasted approaches between embedded and non-local foundations, and identified tensions between funders that arose from variations in proximity to place and styles of grantmaking.

The findings reported in this article were limited to observations that, through a process of progressive coding, evolved into specific themes and concepts. Findings are framed within the context of each research question used to guide this investigation of foundation practice. See research questions in [Figure 7](#).

Findings

Research Question 1: Is place-based grantmaking practical for foundations not physically located in areas where grants are made?

Not all communities are fortunate enough to have embedded funders in their local landscape. For those communities who do not have embedded funders, non-local foundations may represent the best opportunity for attracting new resources for community development. Yet, it turns out there is far more to place-based grantmaking than a funder's physical location. Principles of effective place-based philanthropy may be at least as important as whether funders are considered part of the communities in which initiatives occur. Knowledge of place is necessary but by itself not sufficient in developing an effective grant strategy.

Over time, different kinds of funders have engaged in place-based grantmaking – some embedded and some not. Several themes emerged with respect to how embedded and non-local foundations practiced common principles associated with place-based grantmaking. The following themes emerged from coding of participant interviews:

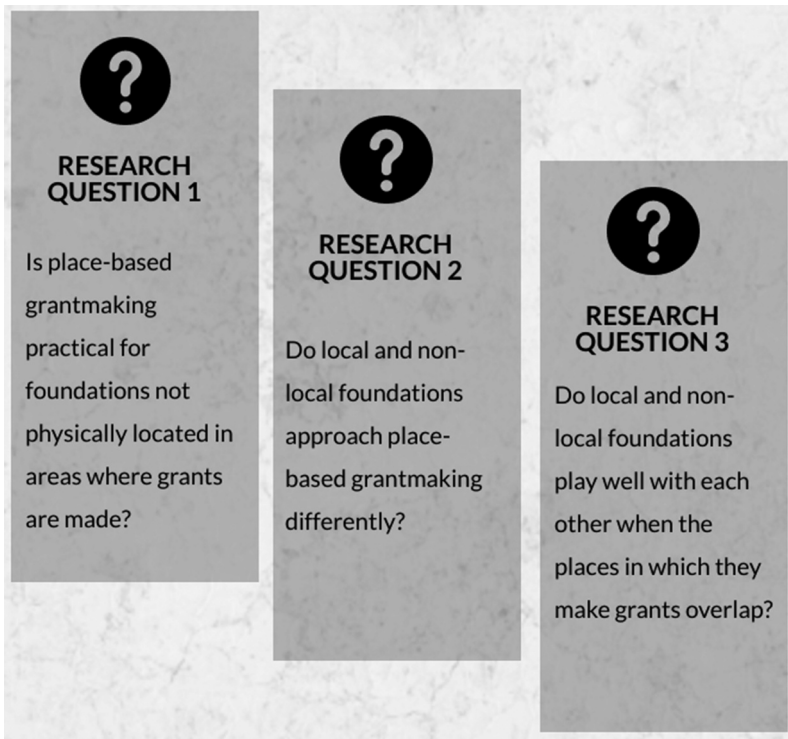


Figure 7. Research questions.

- **Place-Based Grantmaking is Not the Exclusive Domain of Embedded Funders:** The role of non-local foundations should not be dismissed in place-based grantmaking. National foundations have contributed to the practice of place-based grantmaking through projects including those seeking to improve circumstances in impoverished, disadvantaged urban neighborhoods. In doing so, national foundations demonstrated both commitment and capacity to empower communities in ways that accommodated meaningful change. However, our observation was that place-based grantmaking continues to be a small portion of non-local funder programs of work. This seems especially true for national foundations.
- **Place-Based Grantmaking is About More Than Funder Location:** Place-based philanthropy can involve both physical presence and the principles of practice. However, non-local foundations reported overcoming disadvantages relative to their physical location by embracing the principles of place-based grantmaking. The Association of Charitable Foundations, under the leadership of Caroline Broadhurst of the Rank Foundation, has made significant progress in helping non-local foundations learn and foster these principles. Our research found that place-based grantmaking is easier for embedded foundations than it is for non-local funders. Intimate knowledge of place and ready access to strategic relationships were instrumental to place-

specific work. However, new forums such as the one cited in the United Kingdom and funding consortiums such as the one observed in Australia may be changing this pattern.

- **Local Leadership/Ownership Can Be Operationalized Differently Among Funders:** Embedded and non-local funders shared a common conviction regarding the importance of empowering local leadership and encouraging community ownership of initiatives and outcomes. However, while community empowerment was theoretically embraced by non-local funders, it was part of the DNA of embedded funders. Embedded funders were hypervigilant about need for empowering local leadership. Embedded funders often practiced the art of leading from behind out of concern for appearing overly powerful and controlling. This was less practical for non-local funders when they sought to propagate predesigned initiatives.
- **Place-Based Grantmaking is Inherently Multidimensional:** Participants emphasized that philanthropic practice within specific communities was not necessarily linear. Place-based grantmaking required constant attention to evolving variables specific to communities. Community readiness for philanthropic support was influenced by many factors, which did not necessarily remain constant or fixed. Place-based grantmaking required continuous capacity to acquire, interpret, and respond to developments related to people and circumstances. This was an especially challenging dynamic of place-based grantmaking for non-local foundations.

Despite inherent difficulties of non-local philanthropy in navigating complexities unique to specific communities, participants were encouraging about prospects for effective place-based grantmaking by both embedded and non-local foundations. However, they acknowledged that both embedded and non-local foundations possess consequential limitations in this body of work. In this regard, non-local foundations were cited as disadvantaged with respect to knowledge of, and capacity to be physically present in, communities. While embedded foundations did not encounter these disadvantages, lacking depth of financial resources and subject matter expertise occasionally compromised comprehensiveness and rigor in their grant strategies.

Research Question 2: Do embedded and non-local foundations approach place-based grantmaking differently?

Marked differences were observed in how embedded and non-local funders practiced place-based grantmaking. Both seemed to at least conceptually subscribe to principles of place-based philanthropy consistent with those listed in [Figure 3](#). However, their respective approaches were experienced by each other quite differently. We believe there are theoretical explanations as to how funders can conceptually embrace similar principles while being experienced in significantly different ways.

Embedded funders employed a bottom-up approach in their grantmaking. They engaged their communities in defining and prioritizing local challenges and in genuine co-creation of strategies. Embedded funders viewed themselves as partners in this process rather than as drivers of prescribed change. Their engagement was ethnographic-like as they self-identified and were perceived as members of their community. Embedded funders were willing to bet on community-derived strategies,

even if unproven and lacking in rigor. They viewed themselves on a journey with their communities though they did not typically view themselves as leaders in this regard. Instead, embedded funders envisioned themselves as supporters of, and advocates for, local leadership.

Non-local funders tended to develop grant focus and engineered strategies on a centralized basis – well ahead of targeting beneficiary communities. Non-local funders, especially national foundations, often viewed themselves as adept architects of social change, developing sophisticated, data-driven models for achieving desired outcomes. In fairness, non-local funders also reported they too genuinely desired to integrate local interests and conditions into their models but their approaches were generally top-down with a thick gravitation around the core principles of the prescribed strategy.

We believe that two theories can help explain these differences in approach. They are Burdened Prerogative Theory (Reid, 2015) and Resource Dependence Theory (Hillman et al., 2009; Pfeffer & Salancik, 1978). Each is useful in framing and explaining the unique orientations of embedded and non-local funder approaches.

Burdened Prerogative Theory explains how disparate power can prompt desire to distribute power-sharing. It posits that when disproportionate, resource-based advantage is concentrated in reasonably intimate settings, it can prompt compensating, self-corrective conduct intended to enhance the power of associates perceived as less advantaged. This theory was developed to help explain observations of embedded, often family, foundations willingly subordinating their superior resource-based power to elevate the influence of intended beneficiaries. Instead of power-based entitlement arising out of one's superior resource status, the theory explains that self-corrective tendencies can effectively erase unhelpful influences of disparate power between individuals or entities, leading to more effective, lasting partnerships among equals.

Embedded funders exhibited tendencies to defer power and influence throughout the communities in which they were located. There was a palpable preference for local connectedness and shared vision with communities over the merits of specific grant projects. An example of this was an embedded foundation that provided a large, multi-year grant to a local grantee who mid-term decided changing developments would no longer permit its continued vigilance to agreed upon terms of the grant. In essence, the local grantee advised it needed to abandon the project after considerable investment by the foundation. This might have proven an especially difficult challenge for a non-local foundation program officer accountable for non-local governance and management interested primarily in project outcomes.

Rather than being upset about forfeiting investments already made in the project, the foundation exhibited considerable empathic orientation about the circumstances in which the grantee found itself. The foundation affirmed and supported the grantee's decision to abandon the project despite the foundation's belief in the project's considerable value and its desire to continue the initiative. The foundation sought to emphasize the importance of its relationship with the grantee over a specific project, maintaining the long view for potential follow-on partnership possibilities and deferring power to the grantee.

Resource Dependence Theory suggests that power tends to be retained within individuals or entities with superior resources. This is consistent with the age-old saying, "He who has the gold, rules." However, this is not intended to suggest that power disparities

between funders and grantees are necessarily capricious. On the contrary, the practice of this theory can be instrumental to the efforts of non-local funders in facilitating frameworks and rules intended to enhance prospects for successful outcomes and reduce the risk of uncertainties. This is accomplished by imposing governance by the more powerful entity for greater assurance of vigilance with respect to planned strategies. Application of this theory is often more about risk mitigation than the intended exercise of disparate power. Yet, Resource Dependence Theory can be experienced as a disparate power, through top-down prescriptive activities wielded over less powerful parties. The intent of the more powerful party may be intensely benevolent but still be experienced as oppressive and constraining.

Place-based grantmaking is a natural, kinetic, and highly relational experience for embedded funders. They have deep, intimate knowledge of, and connections with, place, people, and circumstances in specific communities and typically seek to elevate local influence. For embedded funders, grantmaking is not a theoretical or abstract notion. It is an intensely practical exercise that can be difficult to articulate in ways easily understood by non-local funders.

Both embedded and non-local foundations emphasized the importance of, and a commitment to, realizing “shared vision” with the communities in which they made grants. However, ideas about how shared vision is defined or realized were more theoretical for non-local funders but intensely visceral for embedded foundations. This seemed a defining difference in contrasting place-based grantmaking from the perspectives of embedded versus non-local grantmakers. It was more difficult for non-local foundations to elevate place-specific concerns above project objectives and planned strategies. This difficulty, at times, interfered with the ability of non-local foundations to emphasize and operationalize the interests of local empowerment. Embedded funders more readily subordinated project design and strategies when to do so empowered community stakeholders.

The following are concepts and themes that emerged from our analyses of participant interviews:

- **Place-Based Grantmaking emphasizes the Commitment to Place Over Projects:** One of the most striking differences often existing between embedded and non-local funders is how grantmaking commitments were conceptualized. Non-local funders often arrived to a venue of place out of programmatic interest. They typically sought to bring specific projects/benefits, developed in centralized settings, to decentralized, subsequently identified communities. This typically positioned non-local funders to embrace top-down strategies, which were often packaged in a well-intended but less than genuine community-empowering vernacular. In particular, we observed national foundations with predefined programs in search of beneficiary communities. By contrast, embedded funders had deep, lasting relationships with, and commitments to, specific places. They were funders with a commitment to specific communities in search of grant opportunities.
- **Local Connectedness Is Instrumental to Place-Based Grantmaking:** Both embedded and non-local funders placed importance upon building local relationships and trust. Local connections were clear antecedents of social change. Non-local funders

viewed local relationships as conceptually instrumental to their grantmaking objectives. By contrast, this was a deeply personal matter for many embedded funders. The changes embedded funders sought to effect were often intended to benefit people they knew, sometimes well, and cared about. Embedded funders had ready access to important relationships and trusted status with local people and institutions. They expressed concern that clumsy, ineffective efforts arising from involvement with non-local funders could damage their local trusted status. Their knowledge of, and access to, place represented considerably valuable tools in place-based grantmaking.

- **Flexibility/Adaptiveness is Fundamental to Place-Specific Initiatives:** Embedded funders placed the interests of their communities above the projects/initiatives they supported. They willingly adapted and even abandoned initiatives midstream to preserve local relationships in the face of changing local sentiments or circumstances. Such occurrences were challenging, complex, and perplexing for non-local funders.
- **Local Funder Perspectives Can Be Myopic:** Non-local foundations tended to scope prospective communities in highly rigorous and objective ways. Non-local foundations may have possessed deeper analytical knowledge of specific places than did certain embedded foundations. The highly immersive nature of embedded funders occasionally led to overly subjective/anecdotal perspectives about their own communities. Preexisting experiences and intimate relationships occasionally jaundiced and limited objectivity, rigor, and creativity in grantmaking. It was difficult to maintain genuine objectivity when totally immersed in the very systems one sought to change.
- **Practical Benefits of Funder Immersion:** Embedded and non-local funders agreed that embedded foundations clearly possessed meaningful advantages especially useful for highly effective place-based grantmaking. Embedded funders enjoyed an abundance of intelligence on, and untethered access to, communities in ways non-local funders simply could not. They possessed many intangibles considered important to place and enjoyed locally perceived community insider, trusted status. These attributes allowed embedded funders to launch their place-based work at a more advanced starting line.
- **Greater Advance Preparation Required of Non-Local Funders:** Non-local foundations found it necessary to invest significant time and resources in getting to know, and build trust with, communities well before initiatives could be effectively introduced. Embedded funders generally needed significantly less lead time to plan new initiatives.
- **Levering Embedded Funder Positioning:** Some non-local foundations were, in certain cases, able to leapfrog early-stage development time by leveraging embedded foundation information and connections. We observed several examples of effective place-based work in which non-local funders played meaningful roles that complimented capacities of embedded foundations. In each of the cases, we observed, non-local funders were highly deferential to embedded foundations and community stakeholders.

- **Resource Constraints Among Embedded Foundations:** Many embedded foundations were found to be severely resource-constrained. They had limited grantmaking capacity and often lacked professional staff. Despite possessing deep knowledge of place, embedded funder grant strategies too often lacked rigor and comprehensiveness. Some larger, non-local funders were able to assist in strengthening grant strategy.
- **The Efficiency Versus Effectiveness Conundrum of Place:** While it can be a highly effective form of philanthropic practice, place-based grantmaking was not necessarily efficient. It often took much more time to harvest the benefits of place-based grantmaking than many non-local funders believed they could afford to dedicate to specific communities. Communities tended to move at their own pace – not according to funder schedules. Embedded funders were more patient with respect to occasional place-specific inefficiencies and were better positioned to adapt to evolving circumstances.
- **Place-Based Work can be as much Art as Science:** National foundations were more likely to rely upon research and elaborate theoretical models to expand impact and reduce risk of potential for project failure. However, place-based work is not a one-size-fits-all circumstance. Each community can be significantly unique. What worked in one community did not necessarily work in another. Embedded funders viewed experimentation and flexibility as essential to place-based grantmaking. Non-local funders tended to be more risk averse, and process-confined than embedded funders.
- **Length of Commitment Matters:** Embedded funders generally had multigenerational lengths of commitment to specific places. By contrast, non-local funders typically planned temporal engagements establishing exit strategies and timelines well ahead of initiating new projects. Both non-local and embedded funders reported that the timeframe of grant commitments by non-local funders was typically unrealistic and challenging to local community development.

Research Question 3: Do embedded and non-local foundations play well with each other when the places in which they make grants overlap?

This research uncovered deep tensions between funders when the geography of grantmaking overlapped and especially when attempts at collaboration occurred. Foundations were observed to have underdeveloped capacities for collaboration with other funders, private and public. Several themes emerged in this regard:

- **Turf Protection Versus Colonialism in Place-Based Work:** Embedded funders viewed the communities they served as their backyards. They were skeptical of outside funder objectives and influences and often avoided opportunities to participate in funding collaboratives. They reported that national foundations, in particular, exercised colonial, paternalistic controls over projects. Embedded funders exercised what they viewed as interventions intended to protect their communities from undue influences of non-local funders. An example of these competing approaches was a national foundation initiative intended to enhance curriculum and staff development for early childhood education providers. The national foundation developed an

impressive program based upon guidance from subject matter experts. There was little doubt the project significantly enhanced early childhood efforts in many locations. However, it sought to enter a community with an embedded funder where early childhood instruction had already been successfully elevated well above statewide standards of practice. In this case, the new initiative would have resulted in downgrading the exceptional performance of the local provider. The embedded funder stepped in to fend off unhelpful influences of the national initiative. Neither the embedded nor national funder were able to coordinate their respective approaches.

- **Resource-Based Power Struggles Between Funders:** The resource-based power differential that often exists between foundations and grantees was replicated between foundations of disparate sizes (measured in terms of assets and size of staffs). Many embedded foundations reported losing control over their grantmaking and communities when collaborating with national foundations. Power-based conflicts were not uncommon.
- **Participatory Project Governance:** We discovered highly effective project governance models where embedded and non-local funders freely shared power with each other and with community leaders. Better examples seemed to employ considerable flexibility in project design/management with additional funds reserved for unanticipated events/developments. They also involved activities intended to build personal relationships among foundation representatives and with community leaders. Where governance lacked perceived equanimity of all stakeholders, collaborations were less effective and projects suffered. Occasionally, funders used pooled funds as a way to level the playing field between stakeholders because they equalized input and decision-making influences for all participants regardless of the resources contributed by their respective organizations.

Discussion and conclusion

Given declining governmental support, communities need additional sources of funding for local development. Foundations represent opportunities in this regard but only to the extent they can practice effective place-based grantmaking. If grantmaking strategy fails to adequately address community-specific circumstances, challenges, and opportunities, community development will underperform expectations.

Several factors can influence the effectiveness of place-based grantmaking. Successful projects are dependent upon local ownership, genuine alignment with community circumstances and aspirations, adequacy of change strategies, sufficiency of financial resources, capacity to adapt to evolving/changing events, effective integration of embedded and non-local funder capacities, shared governance, and realistic time horizons for foundation engagement. Before attempting to use place-based grantmaking for the purposes of community development, foundations need to ensure that they have addressed all of these conditions of effective place-based grantmaking. Failure to address any one of these conditions can severely undermine the effectiveness of local grantmaking.

Despite reports of growing interest in place-based grantmaking, there was little evidence that national foundations are significantly ramping up their involvement in this style of grantmaking. This is likely the result of the exceptionally complex nature of place-based grantmaking and its time-intensiveness. This research suggested national foundations may need to significantly redesign approaches to grantmaking when seeking to work in specific communities. Participants, including representatives of both national and embedded foundations, called for a structural realignment in how national foundations engage in place-based grantmaking – allowing for greater physical presence of program officers, longer lengths of engagement, and greater delegation of decision-making authority to people on the ground.

Dedicating sufficient staff time and committing to a timeframe long enough for meaningful progress can represent insurmountable challenges for national foundations seeking to participate in place-based grantmaking. However, without doing so, it is unlikely that the requisite local presence and trust can be achieved. Furthermore, both embedded and non-local foundations need to improve their collaborative capacities such that their ability to work together effectively is genuinely accretive to local development.

There is much more to community development than merely providing financial resources. Grant strategies need to be appropriately tailored to the circumstances unique to each community but must also possess sufficient rigor to realistically achieve meaningful and sustainable outcomes. Subject matter expertise may be as essential in developing grant strategy as is local knowledge and connectedness. National foundations have advantaged access to subject matter expertise but need to ensure strategies are introduced in ways that foster local engagement and ownership. Integrating subject matter expertise into co-creation of strategies can be very difficult but it is essential for effective place-based grantmaking. When national foundations fail to secure local ownership of grant strategies, they can be experienced as overpowering and colonializing influences.

Embedded funders typically possess considerable knowledge of place and enjoy intimate, trusted relations with the communities they serve. They are naturally equipped to acknowledge and accommodate place-specific leadership and circumstances but often lack deep subject matter expertise sufficient to develop genuinely rigorous strategies such that prospects for meaningful community development are optimized. Some embedded funders were reported as acting in ways considered territorial – reluctant to engage with non-embedded funders who could add depth, rigor, and resources to community development efforts. They resisted attempts by non-local funders to enter their backyards out of concern over potential for losing local control.

Place-based philanthropy has, for at least several decades, been practiced by both embedded and non-local foundations. Each has contributed much to community development but they have also experienced serious limitations with respect to resources, capacities, and practices. Philanthropy's collective resources may be considerable but pale in comparison to the funding historically provided by government. The size of the resource void resulting from government's devolving role in localized community development is such that philanthropy will need to progressively evolve place-based grantmaking in ways allowing for greater effectiveness with less financial resources. This

seems unlikely to occur with a “go it alone” approach. Philanthropy will need to advance its practice in terms of the art of place-based grantmaking and in funder-to-funder collaboration.

The findings from this research resulted in several recommendations commonly expressed by participants. They are as follows:

- (1) **Commitment to Local Presence:** Especially for non-local foundations, it was reported that program officers could rarely dedicate sufficient time on the ground for relationship development. Participants universally thought national foundations were unrealistic in allowing program officers the time needed to engage meaningfully with communities. They recommended that national foundations rethink their planning for on-the-ground staffing needs.
- (2) **Calibrating Length of Engagement:** Participants recommended that non-local foundations consider committing to multiple, recurring grant relationships with communities – thinking of place-based grantmaking as a progressive experience/engagement. While non-local foundations are more likely to have time-limited community engagements, participants suggested commitments to place need to be considerably longer than what has typically occurred.
- (3) **Genuine Community-Centric Approach:** Place-based grantmaking does not lend itself well to top-down initiatives. Top-down grants can be experienced as controlling and paternalistic, disrupting potential for local ownership. Participants recommended that genuine place-based focus be consistent with locally perceived priorities and aspirations, while accommodating substantive opportunity for co-creation with community stakeholders.
- (4) **Reconciling Disparate Approaches:** Embedded foundations possess highly valuable knowledge of place and enjoy trusted status among local stakeholders but national foundations often bring greater subject matter expertise to project design. Participants viewed competencies of both embedded and non-local foundations as important to effective place-based grantmaking. Better integration of beneficial aspects of both bottom-up and top-down approaches was cited as needed. This will require further study and intentional efforts by practitioners to explore and learn more about how to reconcile local and non-local engagement in this style of grantmaking.
- (5) **Project Flexibility:** Participants consistently reported that community development is location-specific and organic. This requires the need for considerable flexibility in responding to evolving and changing circumstances.
- (6) **Shared Project Governance:** Participants called for genuine power-sharing in project governance. Equal voting among participants was recommended for funders and community stakeholders.
- (7) **Locus of Control:** Significant need exists for delegation of project decision-making authority to program officers and partners closest to project implementation. This is particularly difficult for national foundations because program officers are more accountable to centralized project design and governance than to communities and other funders. Program officers of national foundations reported that they did not have sufficient authority to genuinely share critical decision-making with local stakeholders and other funders. This was viewed as a structural misalignment that needs to be addressed primarily by the boards and executive leadership of national foundations.

- (8) Advancing Place-Based Grantmaking Practices: Participants viewed place-based grantmaking as a promising tool for community development but noted it needs to develop further as a specific form of grantmaking. This will require more study and willingness to engage in a process of learning among philanthropic practitioners.
- (9) Effective Funder Collaboration: Funder-to-funder collaboration was another area cited as needing progress in place-based grantmaking. There remains much to learn about how foundations can more effectively work with each other as they participate in community development. Participants called for more learning resources to guide foundations in developing more effective collaboration with each other.

This study produced many actionable insights and recommendations that can assist foundations to more effectively engage in and support community development. More research is needed in this regard and foundations clearly need to engage in more opportunities to learn about this important body of philanthropic practice. This article is intended to contribute to a body of work focused on place-based grantmaking and to identify the need for more work in further defining this promising style of philanthropic practice.

Limitations

The observations shared in this article derive from a rigorous exploration of transcripts, interviewer notes, and recorded interviews from three different but highly related studies. The 91 foundations involved in the three studies represent a large undertaking, especially for a qualitative study. Still, it should be noted that there are approximately 100,000 foundations in the United States (Foundation Source, 2021). Great care was exercised in the purposive selection of participants and the considerable expertise and diversity of participants supported the trustworthiness of findings. However, a study involving 91 foundations is a relatively small sample of the universe of foundations in the United States. Thus, care should be exercised in generalizing the findings herein.

More research on place-based grantmaking is needed. In particular, there is a need to further study practices that can more effectively blend the respective resources and capacities of embedded and non-local foundations for greater localized impact. More research is also needed to guide funder-to-funder collaboration, especially with respect to place-specific settings.

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