



**Can Investigative Journalism Pay?:
InvestigateWest and the Nonprofit Model
Teaching Note**

Case Summary

The nonprofit model of journalism is nothing new. Several well-known, long-established media enterprises in print, broadcast, and online, are funded by a combination of grants from foundations or wealthy benefactors, membership donations, and sometimes government support rather than the more familiar commercial blend of advertising and subscription revenue. Specifically, the nonprofit model has a track record of sustaining high-cost, low-revenue journalistic products, such as investigative reporting, that are becoming increasingly difficult for profit-oriented commercial media enterprises to sustain.

But late in the 2000s, the nonprofit model began to attract wider attention as an innovative way to support journalism in an era of plummeting revenues and contracting workforces in for-profit media. High-profile national enterprises such as *ProPublica*, backed by millions of dollars in philanthropic funding, put a spotlight on the model's potential to support costly public service journalism, which had suffered disproportionately as for-profit news organizations scrambled to preserve profits by cutting costs. By 2009, a number of new nonprofit ventures had sprung up around the United States, many of them launched by veterans of for-profit media enticed by the prospect of the freedom from commercial pressures.

This case puts students in the shoes of one such enterprise, the Seattle-based *InvestigateWest* (IW) from its founding through the editorial successes, financial struggles, and questions of identity and ethics its small staff faces over its first three years in operation. Along the way, students will be privy to the IW team's own considerations of, and lessons learned about, the trade-offs inherent in the nonprofit business model.

InvestigateWest forms in Seattle in 2009 when a local newspaper, the *Seattle Post-Intelligencer*, shuts its doors after 146 years in print. By early summer, three former *Post-Intelligencer* reporters—Robert McClure, Carol Smith, and Rita Hibbard—have become the management team of a new enterprise and incorporated it as a nonprofit. None has ever run a business before, and one of the first imperatives is to raise money.

But the team soon learns that the nonprofit model, seemingly insulated from the commercial forces battering news organizations across the country, comes with its own pressures and disappointments. From an ambitious initial goal of securing over \$1 million in annual funding, 40 percent of it by selling reports in syndication to other news outlets, three years later the IW staff is operating on an annual budget of \$250,000, 90 percent of it from foundation grants and a discouragingly small fraction earned directly from actual reporting. Though the IW founders' initial aim was to help address the dearth of investigative reporting they saw as a result of the high costs and time-consuming nature of the product, the IW staff realizes quickly that raising the money to fund it is also an incredibly labor-intensive enterprise—much more so than they had initially anticipated, and often to an extent that takes time away from the reporting mission that led them to start the organization in the first place.

At the same time, however, the team manages to produce journalism with an impact, and disseminate it to a wide audience through partnerships with local media organizations. IW stories expose major issues in the organization's chosen niche of the environment, public health and social justice and lead to concrete policy changes, including improved public safety laws. Though IW looks as if it will be dependent on foundation funding for the foreseeable future and does not appear likely ever to be able to support itself through reporting alone, by one measure IW is succeeding: It is fulfilling its stated mission "to help set the policy agenda through powerful, independent journalism."¹

The case ends with the IW staff, having just concluded a deal to co-produce a project with a local environmental news broadcasting consortium, questioning whether they have made the right decision and what to do next. On the one hand, the deal provides a much-needed source of funding and has the potential to expand IW's reach, and certainly to further IW's mission. But students are prompted to think more deeply about the extent to which the deal affects—or even detracts from—the other aspects of IW's mission, and its obligations to its board of directors, given its small staff and limited resources. As the IW staff attempts to sketch the organization's future and considers the wisdom of sustaining it through revenue-generating activities—such as speaking and consulting—that do not fall within the traditional definition of journalism, students will also confront complex questions about how far the definition of journalism can stretch and to what degree an organization can support itself through non-journalistic activities and still remain, at its core, a journalistic enterprise.

Teaching Objectives

Use this case to discuss the strengths and weaknesses of various journalism business models from both an ethical and a sustainability standpoint. Use it also to launch discussion on managing relationships with foundations; working with partner news

¹ *InvestigateWest*, "About Us," 2013. See: <http://www.invw.org/about>

organizations; commercial prospects for investigative journalism; and the ethics of online versus traditional journalism.

Use the case to examine the relationship between journalism organizations and the revenue streams that sustain them. Invite students to compare the advantages and drawbacks of different modes of support, whether commercial or charitable. For-profit news organizations have long held as an ideal that an impermeable “wall” separates the commercial from the editorial side of their business-----that, for instance, journalists should report candidly on the activities of an important advertiser even if that means losing the revenue. In reality, however, commercial imperatives often influence editorial choices: a newspaper editor might run a story on Page One to attract reader interest and, hence, sell more papers. For the IW editors, the connection is more blatant: they ask donors for money to write stories. As one journalist wrote about this uncomfortable reality in nonprofit news: “[Journalists] might have been accused of writing headlines to sell papers, but it wasn’t, in our minds, to raise money.”² Is there a meaningful difference between writing a headline to sell newspapers and actively raising money? Is there a point beyond which journalists or editors should no longer actively try to “sell” their product?

For the world of nonprofits specifically, use the case to examine the relationship between nonprofit journalism organizations and the foundations on which they are often dependent. Wealthy nonprofits, such as *ProPublica* with its multimillion---dollar budget, are able to carefully vet the funders they affiliate with to make sure their missions match. But smaller organizations such as IW, with an annual budget in the hundreds of thousands, are much more dependent on fewer funders. Ask students to decide whether considering a grant---maker’s goals or reputation is a luxury or an imperative for a small nonprofit investigative site.

Also ask students to consider possible mechanisms to guard against conflict of interest as the traditional, if imperfect, “wall” between editorial and business becomes ever more porous and editorial staff such as IW’s must devote increasing proportions of their time to fundraising and business planning. To what extent does the editorial wall remain relevant as journalism organizations struggle to survive financially? Is the disappearance of the wall an acceptable occupational hazard of slim journalism startups? Is it enough, as the IW team has done, simply to adopt a preexisting professional code of ethics and otherwise go by the gut in judging the impact of its business imperatives on its editorial plans, or must there be more formal guards against conflict of interest in place?

This series of questions can prompt a broader discussion about journalism ethics in the digital age, and in particular which principles of journalistic ethics are immutable regardless of era, mode of distribution, or funding model, and which traditional ethical practices demand revisions—or should even be discarded altogether—for the 21st century. Push students to consider how to handle possible conflicts between ethical and commercial

² Jodi Enda, “Staying Alive,” *American Journalism Review*, August/September, 2012.

imperatives when the very survival of a journalism organization may be at stake. Is preserving the ability to produce journalism ultimately the greater good, or are there ethical imperatives that could even demand an organization shut down? What are the nonnegotiables?

In traditional commercial news organizations, expensive investigative projects have long been subsidized by lower-cost products, such as lifestyle and celebrity stories, that tend to attract a greater readership and more ad revenue. Is it reasonable to expect that a standalone investigative venture would ever generate enough money to sustain itself? Ask students to consider what kinds of revenue models might make this possible. Are foundations the best bet? Should IW plan to wean itself from foundation support at some future date or should it instead position itself for long-term dependence on charitable grants? How should the business plan be adjusted depending on the answer to this question?

As IW attempts to forge a new business plan in late 2011, it brings in as a consultant Jason Alcorn, whom the case describes as viewing journalism as a “set of skills, services, and expertise, rather than as the creation of a single end product.” By its third year, IW has begun to conceptualize itself as a “journalism studio” providing the service of packaging, producing, and distributing journalistic products to different kinds of journalism outlets. To what extent is Alcorn correct in his view that journalism is a set of skills rather than a specific product? If, as is called for in IW’s business plan, the company generates additional revenue by producing reports, organizing events, and providing consulting services, at what point does IW become simply a nonprofit and no longer a “journalism” organization? Given the broad applicability of “journalistic” skills such as research and investigation, is there anything unique about what a journalism organization does relative to the activities of any other kind of research and public-service oriented nonprofit?

Class Plan

Use this case in a course on the business of journalism; journalism entrepreneurship; editorial management; ethics; or multimedia journalism production.

Pre-class. Help students prepare for class by assigning the following question:

- 1) Given IW’s size, goals, and obligations to its board of directors, was the IW team right in its decision to conclude the deal it did with EarthFix? What is the likely impact of the arrangement on IW’s future?

Instructors may find it useful to engage students ahead of class by asking them to post brief responses (no more than 250 words) to questions in an online forum. Writing short comments challenges students to distill their thoughts and express them succinctly. The instructor can use the students’ work both to craft talking points ahead of class, and to identify particular students to call upon during the discussion.

In-class questions: The homework assignment is a useful starting point for preliminary discussion, after which the instructor could pose any of the following questions to promote an 80--90 minute discussion. The choice of questions will be determined by what the instructor would like the students to learn from the class discussion. In general, choosing to discuss three or four questions in some depth is preferable to trying to cover them all.

a) IW's founders envision that it will focus on the environment, public health, and social justice. Ask students to evaluate the selection of this niche. Is it too broad for a small organization to cover effectively? Alternatively, is it too narrow to generate interest? How should a small nonprofit decide where to direct its resources?

b) IW's first widely--distributed investigation--on the toxic dust that certain paving sealants could generate--is picked up and carefully vetted and re--edited by MSNBC. To what extent should an organization like IW yield editorial control to partner news organizations it works with? Discuss the merits of "partnering with" other news organizations versus simply selling them content, from both the business and the editorial perspective.

c) Within six months, IW scraps a major part of its original business plan: to earn some 40 percent of its revenue from syndication, after having netted a mere \$750 for its report for MSNBC. In IW's judgment, there were not enough customers for its product. Why, ultimately, did syndication fail to generate revenue? Should IW have raised its prices? Should it have devoted more time to the experiment? If there weren't enough customers, should IW have tried selling a different kind of product?

d) The IW team quickly discovers that grants often stipulate a particular topic to be covered, and that foundations also often prefer to fund marquee projects rather than operational expenses. Discuss the practical implications of restrictions on grant funding, from the inability to "do a story just because it was a good story," in IW co--founder Carol Smith's words, to foundations' reluctance to give money just to keep the lights on, to managing donor expectations.

e) Turn to the ethical dimensions of foundation funding, and in particular the way the possibility of getting or keeping grants affects the stories IW chooses to cover and to some extent how it covers them. Is IW wading into dangerous ethical waters or is this simply another way of shaping content to attract customers? Ask students to consider whether--or how--this kind of relationship between content and revenue differs from that of for--profit media.

f) In March 2010, IW hesitates to accept a grant from the Russell Family Foundation to produce a report on Puget Sound because the report would be "for private consumption" and IW does not want to "acquire a reputation as writers for hire." Is this a valid concern? Can the nature of the consumer make the product somehow less journalistic?

g) By 2010, IW has engaged in some rewarding partnerships with broadcast media outlets, providing reporting services and relying on other organizations' multimedia expertise. Ask students to evaluate this cross-organization division of labor. Is it wise for IW to identify its competitive advantage and outsource aspects of production to other organizations?

h) In summer 2011, IW experiments with free distribution after failing to sell a story, offering it to news organizations for free in hopes that they will run it. When news organizations still do not run the story, IW decides the free distribution experiment has failed. Should IW have discarded the free distribution idea so quickly? Would free distribution be a wise way to garner wider recognition if IW produced a story that did get picked up?

i) In developing a new business plan for IW, Alcorn asserts that "we want users, not just benefactors" and plans to reach more readers by investing in the website. Is this a good use of resources? Given the organization's need to sustain itself, should benefactors be the priority in deciding how to allocate resources? Between users, benefactors, staff, and the board of directors, to whom is the organization ultimately accountable?

j) As part of the business plan he develops, Alcorn recommends that IW add staff. Ask students to consider the structure of IW—which relies on three full-time staff and freelancers. Evaluate IW's division of labor through the lens of product quality and potential staff burnout and consider what Alcorn calls the "trade-off between journalism and fundraising, organizational strength, capacity more broadly." Should IW scale up despite its constrained resources? Which is the riskier move from a business standpoint—staying small or scaling up?

k) One question complicated by a nonprofit's insulation from market forces is deciding how to value what the organization produces, and when to shut down. IW does not technically lose money for its first few years only because the staff works for free and dips into its own savings. Is there a rigorous way for a non-profit to gauge whether it is successful? How should a non-profit measure its impact? At what point should a nonprofit shut down?

Suggested Readings

Roundtable discussion, "Ethics for the New Investigative Newsroom," January 29, 2010, held at the University of Wisconsin-Madison.

SYNOPSIS: This is the summary of the roundtable discussion on nonprofit journalism ethics, organized by IW board member Brant Houston, referred to in the case study. Students may find it useful to delve more deeply into the participants' discussions and disagreements regarding "re-inventing journalism ethics" for the world of grant funding, and to get a sense of how the world of nonprofit investigative journalism works as seen by some of its architects. In considering one of the central questions of the case—whether

IW's agreement with EarthFix was a wise deal given its constrained resources—students should take particular note of how the roundtable participants arrived at one of their key conclusions regarding their organizations' relationship to funders: "Don't over---promise."

http://www.journalismethics.info/2010_roundtable_report.pdf

Charles Lewis, "The Nonprofit Road," *Columbia Journalism Review*, September 13, 2007.

SYNOPSIS: In this article Lewis, one of the early advocates of the nonprofit model as a solution for journalism's 21st---century ailments, discusses nonprofit journalism's long history in the United States, from *Mother Jones* magazine to the *Christian Science Monitor* to the organization Lewis himself founded in 1989, the Center for Public Integrity, which has since grown into "one of the country's oldest and largest nonpartisan, nonprofit investigative news organizations," according to its website.³ The article does not dwell at length on the potential drawbacks of the nonprofit model, focusing instead on its successes, but it raises for discussion what, if anything, is fundamentally different about IW's generation of mainly Web---based nonprofit journalism organizations that began to proliferate after 2005.

http://www.cjr.org/feature/the_nonprofit_road.php

Jack Shafer, "Non---Profit Journalism Comes At A Cost," *Slate*, September 30, 2009.

SYNOPSIS: This short article represents a counterpoint to arguments about the promise of the nonprofit model. Shafer notes in particular the ways in which the nonprofit model does not differ significantly in its ethical implications from the for---profit world, and may even present more difficult ethical questions: "Just as commercially supported journalists often find themselves dispatched to investigate the owners' hobbyhorses, nonprofit newsmen are frequently assigned to 'chase after the idiosyncratic whims of funders.'"

http://www.slate.com/articles/news_and_politics/press_box/2009/09/nonprofit_journalism_comes_at_a_cost.html

Bill Birnbauer, "A bumpy road ahead for non---profit investigative journalism," *John S. Knight Journalism Fellowships at Stanford: News & Notes*, March 30, 2012.

³ The Center for Public Integrity, "About the Center for Public Integrity," 2013. See: <http://www.publicintegrity.org/>

SYNOPSIS: In this blog post Birnbauer, an Australian investigative journalist, discusses the findings of his research on “the sustainability and funding of non---profit investigative journalism centers” and touches on concerns unique to nonprofit investigative journalism specifically. He examines the perspective of funders of investigative journalism, one of whom acknowledges that funders may say to news organizations: “We’ll support you for awhile but foundations may eventually change their priorities.” From interviews, Birnbauer identifies “the NPR model of public funding and fund drives as the next step in the evolution of investigative journalism” in funders’ view—which is relevant to whether IW should plan more aggressively for a post---foundation future.

<http://knight.stanford.edu/news---notes/2012/a---bumpy---road---ahead---for---non---profit---investigative---journalism/>

Jodi Enda, “Staying Alive,” *American Journalism Review*, August/September, 2012.

SYNOPSIS: This article provides an overview of several nonprofit news organizations, each of them a few years old, and how their business and funding models have evolved. Its discussion of one such venture that failed—the Chicago News Cooperative—provides a particularly concrete take on some of the pitfalls associated with the nonprofit business model, including a useful description of its founder’s own assessment of what went wrong.

<http://www.ajr.org/article.asp?id=4458>

Jesse Holcomb, Tom Rosenstiel, Amy Mitchell, Kevin Caldwell, Tricia Sartor and Nancy Vogt, “Non---Profit News: Assessing a New Landscape in Journalism,” *Project for Excellence in Journalism*, July 18, 2011.

SYNOPSIS: This study by the Pew Research Center’s journalism research division attempts to answer quantitatively some of the questions raised by this case study through an analysis of 46 news websites. The websites examined include for---profit enterprises for comparison, allowing the authors to examine whether and how different funding models affect content. The study will provide students with a detailed picture of the state of the overall industry as well as variations between different nonprofit ventures and what might account for them. Among the study’s key findings is that sites that received funding from multiple sources tended to be the “least ideological in their content”—a useful data point for students to consider in discussing some of the potential editorial pitfalls of donor funding and the costs and benefits of cultivating a diversified revenue stream.

http://www.journalism.org/analysis_report/non_profit_news_1