



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

In the three years since its founding in 2009, Seattle news nonprofit *InvestigateWest* had racked up an enviable record. The three-person operation, bolstered by interns and freelancers, had spurred the passage of three public safety laws, prompted a college to reform its handling of sexual assault cases, and led the federal government to fund a study of the health impact of a Superfund site. By 2011, *InvestigateWest* had honed an approach to working collaboratively on stories with broadcasters, both public and commercial, and was adept at coordinating and staging coverage across print, online and broadcast platforms. The outfit had come to describe itself as a journalism studio, fielding ideas and deciding on their best treatment, packaging and distribution.

Financial support, however, came disproportionately from foundations, which provided some 90 percent of *InvestigateWest's* 2011 budget of \$250,000. *InvestigateWest* realized it had to develop a more sustainable business plan. Matters came to a head after Executive Director Rita Hibbard resigned in August 2011 and the board of directors—experienced journalists, managers and executives—assumed a much more active role.

In late 2011, Board Chairman Brian Reich brought in as a consultant Jason Alcorn, a business acquaintance with experience in Internet marketing for nonprofits. At the December board meeting, the board gave Alcorn and co-founders Robert McClure and Carol Smith a lengthy to-do list: complete reporting projects already underway; increase fundraising; line up 90-day contingency funding; and write a formal business plan.

The trio decided to focus on the business plan, and by February 2012 had the board's approval. Covering 2012-2014, the aggressive strategy called for collaboration as before but, when possible, also training and mentoring, consulting, speaking, hosting community events, and other roles not traditionally associated with investigative journalism. A first opportunity to test it came in April, when McClure embarked on a major project keyed to the 40<sup>th</sup> anniversary of the Clean Water Act. *InvestigateWest's* partner on the multi-platform reporting enterprise would be EarthFix, a Northwest public broadcasting environmental news consortium based at Oregon Public Broadcasting.

EarthFix wanted IW not only to help report and edit the stories, but also to help with design, rollout and marketing. *InvestigateWest* would bring considerable heft to the project through investigative techniques, including database analysis and public record searches. But as McClure, Alcorn and Smith looked at the arrangement with EarthFix, they wondered if they would be able to live up to the terms of their own strategic plan. Had they over-promised? Was this a plausible growth strategy?

## A Brief History

*InvestigateWest* (IW) grew out of the March 2009 demise of the 146-year-old *Seattle Post-Intelligencer* (P-I).<sup>1</sup> While the closure of the Hearst Corporation-owned P-I was part of a larger trend (newspapers shed 15,000 jobs in 2008), the P-I staff had been on a particularly rocky ride.<sup>2</sup> Hearst's decision came after a lengthy dispute with cross-town rival *Seattle Times* over the terms of a 1983 joint operating agreement, and effectively left the city with one daily paper.

P-I staff had seen the writing on the wall, and many found new jobs. While some 25 ex-P-I journalists chose to move to a general news site known as *Post Globe*, a core of 10 or so elected to create a new nonprofit enterprise focused on investigative, explanatory and narrative journalism. The group included Smith, Hibbard and McClure, as well as former P-I Managing Editor David McCumber, investigative journalists Lewis Kamb and Kristen Millares Young, and investigative reporter/computer assisted reporting specialist Daniel Lathrop. Meeting in early 2009 as *True West*, the group in March dropped the name—better suited, they concluded, to a pulp Western than a journalism venture. Their new choice: *InvestigateWest*.

Its founders initially conceived of IW as a news service covering the western United States and Canada. They saw an opportunity in watchdog (or accountability) reporting with a focus on the environment, public health and social justice. With its longer lead times, considerable expense and potential legal liability, the volume of investigative reporting was dwindling nationwide. While it was hard to get an accurate count, the nonprofit organization Investigative Reporters and Editors saw its membership drop from 5,391 in 2003 to 4,000 six years later. Pulitzer Prize submissions in the public service category declined 43 percent between 1985 and 2010; in the investigative category, by 21 percent.

*Core team.* Three people emerged early as IW leaders: McClure, Smith and Hibbard. All three had experience with science reporting, including medicine, the environment and health. They had also done investigative work, and had some management experience. They had wide networks of contacts both in journalism and in their fields of expertise. But all were print journalists, and none had ever run a business.

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<sup>1</sup> The paper would survive only as a small, online news website.

<sup>2</sup> In her *Paper Cuts* blog, former *St. Louis Post-Dispatch* journalist Erica Smith tracks industry layoffs. See: <http://newspaperlayoffs.com/maps/2008-layoffs/>

## Business start

In May 2009, *InvestigateWest* formally incorporated as a 501(c)(3) nonprofit, exempt from federal taxes and able to accept charitable donations or seek grants.<sup>3</sup> The group had already dwindled to six from the original dozen. Needing to formalize the organization for administrative purposes, they appointed Hibbard executive director, although roles remained fluid.

There was ample precedent for a news nonprofit, although newsgathering was not among the tax exempt purposes listed in 501(c)(3) of the Internal Revenue Code. Journalism stalwarts like the *Associated Press*, *Consumer Reports*, the *St. Petersburg Times*, *Harper's* and *Mother Jones* were nonprofits. Further, a host of news nonprofits had sprung up in the wake of the most recent industry bloodletting. These included *ProPublica* on the national level, and local and regional startups like the *St. Louis Beacon*, *MinnPost* in Minneapolis, the Wisconsin Center for Investigative Journalism, the New England Center for Investigative Reporting, *Voice of San Diego*, and *Crosscut.com*, a Seattle online news site.

At first, the IW founders funded the enterprise themselves: they worked without compensation and dipped into savings. In addition, some found paid writing assignments on the side. In March 2009, McClure refinanced his house, withdrawing \$20,000 in equity to cover living expenses and some reporting trips as IW got off the ground. He recalls:

We did the closing on a Friday. If they called any later than that, a couple of days later, I wouldn't have had a job, and I wouldn't have gotten the refinancing, and I couldn't have done this.<sup>4</sup>

They had rented a small office in the Fremont neighborhood, meeting at least weekly to hash out details. Fundraising was a priority—the journalists couldn't afford to carry IW long.

*Foundations.* One obvious funding source to explore was foundations. Hibbard began researching foundation mission statements, looking for those who wanted to encourage the development of new business models for journalism, and also those which supported the causes IW had identified as its niche: the environment, public health and social justice. McClure also networked, tapping connections made over his decades as an environmental journalist. For example, he met with Denis Hayes, CEO of the family-run Bullitt Foundation that supported environmental protection in the Pacific Northwest.<sup>5</sup> The meeting led to *InvestigateWest's* first grant application, and the journalists' first brush

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<sup>3</sup> The IRS officially granted 501(c)3 status on October 30, 2009, effective May 1, 2009.

<sup>4</sup> Author's interview with Robert McClure on August 2-3, 2012 in Seattle. All further quotes from McClure, unless otherwise attributed, are from this interview.

<sup>5</sup> Hayes had organized the first Earth Day in 1972, and had worked in solar energy for the Carter Administration.

with nonprofit fundraising. Smith recalls: “How much work it is to get the grants was the biggest eye opener for me.”<sup>6</sup>

In May, IW took a moment to celebrate. It had won its first grant: \$3,000 from the Fund for Investigative Journalism to underwrite a story Kamb had proposed on the expropriation of public parkland for private uses. But the award was largely symbolic; to succeed, IW needed significant and sustainable funding. It had already started work on a strategy to do just that.

*Pro bono plan.* In April, the Seattle---based Point B management consulting firm had agreed to work with IW—at no charge—to create a business plan. McCumber had made the connection with Point B as part of a deliberate effort to look outside the news business for help. For two months, some 10 IW and Point B staff worked on the plan, which among other research drew on a comparative analysis of regional news organizations like the commercial website *New West*, the nonprofit *High Country News* and national nonprofits like the Center for Public Integrity (CPI).

The plan, which was finished by June, called for a West Coast news operation spanning California, Oregon, Washington and beyond.<sup>7</sup> As an early mission statement projected, IW would uncover society's failings and provide a road map for changes to public policy and practice. It would undertake varied activities, including fully----produced, multimedia, in---depth investigative stories, with a specialty in the environment, public health and justice. In addition, IW would organize public events that could double as fundraiser and civic gathering. It would recruit members, along the lines of public radio stations.

Funding would come from foundation grants, plus public support via membership drives and fundraising campaigns. It also hoped for income from custom research, consulting and other nontraditional ways of capitalizing on investigative journalism skills. But the big revenue driver would be syndication: IW would operate as a small, topically focused news service covering a broad swath of the West. The plan called for 40 percent of revenue to come from selling the same piece of reporting to a variety of news outlets. It also outlined joint distribution with other news services, and direct sales of multimedia packages to print and broadcast outlets. The ambitious first---year budget goal was \$1.35 million. IW expected to raise \$850,000 from foundations and \$500,000 from memberships and content sales.

*Training.* The staff also took early measures to improve their own skills on both the editorial and business fronts. In summer and fall 2009 respectively, Young and Smith arranged internships at KUOW, one of Seattle's local NPR stations, to work on broadcast skills. As Smith recalls:

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<sup>6</sup> Author's interview with Carol Smith on August 2, 2012 in Seattle. All further quotes from Smith, unless otherwise attributed, are from this interview.

<sup>7</sup> The original intent was to report on New Mexico, Arizona, California, Nevada, Utah, Colorado, Wyoming, Montana, Idaho, Oregon, Washington, and in Canada: British Columbia and Alberta.

For me, radio was a hugely natural fit because it's a narrative medium. I remember my first editor there said you have one sentence for a thought, one sentence for a paragraph and you've got 10 lines for your story. Then you have your actualities mixed in there. It was like writing haiku... I really enjoyed it.

On the business side, Hibbard in May attended a News Entrepreneur Boot Camp at the University of Southern California.<sup>8</sup> Hibbard had been a business editor, so she had a degree of literacy, but the seminars and late---night networking sessions helped her translate the Point B plan into concrete steps and to refine her business pitch. While there, she discussed fundraising and management with Robert Rosenthal, executive director of the Berkeley, CA---based Center for Investigative Reporting (CIR). CIR was about to launch *California Watch*, an investigative reporting venture with a staff of dozens and a multimillion---dollar budget, which would distribute its reporting through a wide range of print, online and broadcast outlets. The contrast to *InvestigateWest* was humbling.

*Pocantico*. But IW was not alone. At the end of June, staff member Lathrop represented *InvestigateWest* at a conference of 20 nonprofit investigative news organizations in Pocantico, NY. The group issued the so---called *Pocantico Declaration*, establishing what its authors claimed was the first US trade group for nonprofit investigative news organizations—the Investigative News Network (INN).<sup>9</sup> The declaration stressed the importance of investigative journalism in a democratic society and the need to "nourish and sustain the emerging investigative journalism ecosystem to better serve the public." It also proposed pooling resources for fundraising, collaborating on editorial projects and services, and sharing administrative functions.

## Editorial start

On July 8, 2009, *InvestigateWest* announced itself to the world with a press release and opened its website to the public. According to the press release, IW would "distribute its multimedia content through individual partnerships with media organizations and through its own syndicated service."<sup>10</sup> The website was filled largely by staff blogs focused on the West. While the blogs were far from the polished product IW aimed to produce in time, they provided a low---cost way to test the site's potential, and gave both prospective funders and customers a sense of the group's editorial direction. McClure recalls:

We felt it was important to start getting familiar with this big region... really just aggregating news from around the West. We turned

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<sup>8</sup> The week-long event was organized by the Knight Digital Media Center, USC Annenberg School for Communication, the Center for Communication Leadership and the Online Journalism Review. See: <http://multimedia.journalism.berkeley.edu/blog/2009/feb/2/usc-news-entrepreneurs-boot-camp-accepting-applica/>

<sup>9</sup> *The Pocantico Declaration, Creating a Nonprofit Investigative News Network*, Investigative News Network, July 1, See: <http://www.investigativenetwork.org/about/pocantico-declaration>

<sup>10</sup> For the full press release, please see: <http://www.invw.org/more/press-releases/launch>

that into an editorial product that could continue after the launch. We pretty quickly moved away from that and started doing more developed blog posts on a regular basis. But even early on it was a great idea to get something up after a few months of work—something that says you're there, and tries to pique interest.

*InvestigateWest* debuted with a staff consisting of McClure, Smith and Hibbard, as well as investigative reporters Kamb and Young, and chief digital strategist/investigative reporter Lathrop. (In late July, Kamb left for the *News Tribune* in Tacoma.) The challenge was to move quickly from blog posts to full-fledged stories. Recalls McClure, "We had people reporting, but we were going for deep dives, and we realized we had to come up with some really good stuff right away." The reporters dug in; McClure traveled to California and Oklahoma to start work on the grant-funded public parks/private use story.

*Board of Directors.* One key to viability was a strong board of directors, and the IW team started recruiting members during the summer of 2009. They were looking for journalism and business figures with national reputations. By September, they had located a strong slate. The board included Frank Allen, head of the Institutes for Journalism and Natural Resources and a former environmental editor at the *Wall Street Journal*; Vicky Porter, director of the Knight Digital Media Center at USC; and Brant Houston, Knight Chair for Investigative and Enterprise reporting at the University of Illinois. Chairman Reich was a public relations veteran who had also worked in government for Vice President Al Gore in the Clinton White House and during the 2000 presidential campaign.

Over the fall, IW staff worked on a couple of strong stories, including the public parks/private use assignment. But November brought two substantial additions. The first story came to it, when CPI asked IW to be one of five INN member organizations to provide local coverage for a yearlong investigation into administrative responses to sexual assault on college campuses. Smith and IW contributor Lee van der Voo reported and produced a series of stories that appeared in February 2010 on IW's website and was distributed by CPI and its partners, including National Public Radio. Van der Voo alone wrote another five stories that ran throughout 2010. The fourth piece in his series—about Reed College in Portland—also ran in the *Portland Oregonian*. In response, the small, liberal arts college brought in a special investigator and revised its policies on sexual assault.

Also in November 2009, McClure came across what he was sure could be a nationally significant story. He noticed a one-paragraph reference in a November 20 press release from the US Geological Survey (USGS) to recent research on paving sealants made with coal tar.<sup>11</sup> It noted new evidence that the sealants degraded over time, dispersing toxic

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<sup>11</sup> US Geological Survey press release: "From Toxic Dust and Algae to Ill Winds From Africa," November 20, 2009. See: <http://www.usgs.gov/newsroom/article.asp?ID=2349&from=rss#.UJ1La5pfZQ>

dust that could migrate into homes and waterways. McClure spent weeks interviewing researchers and officials for a story about the scientific findings and efforts to ban the sealants.<sup>12</sup>

IW approached a number of news organizations about buying the sealants story. Eventually the MSNBC.com news website bought it, and ran the piece in January 2010. The experience gave IW a taste of what collaboration could mean: MSNBC.com rigorously vetted both *InvestigateWest* and its reporting. McClure recalls:

The story itself was carefully examined and rewritten as needed. It went through a few editors and went back and forth. It was interesting because we were all still learning to do these collaborations. I think the vetting of *InvestigateWest* as a news provider was aided by the fact that we had decades of experience individually in the news business.

The story got strong play (McClure noted 400,000 page hits in one five---hours period) and eventually led to a May 2011 ban by Washington state on the sealants. For IW, the scoop became a useful calling card with potential news partners. It was disappointing, however, how little public recognition the story brought to the new venture. Hibbard remembers that “we came to see that we really needed [wider] distribution of the story so that it got more exposure and to get impact for our work and impact for the subject. The [*InvestigateWest*] brand is what we were writing for.”<sup>13</sup>

Moreover, the sealant story was not successful as a business venture. *InvestigateWest* had negotiated a freelance fee of \$750, which failed to cover even the cost of production. McClure acknowledges that “we sold the story for far less than it probably was worth,” although he counters that “the benefits, to society and to *InvestigateWest* have been huge.” Regardless, the experience was confirmation that freelance market rates for in---depth journalism were insufficient to support a venture like IW. Foundation support and other income would have to cover the balance.

## Strategic Re-think

Happily, foundation support had already started to build. In November 2009, the Bullitt Foundation awarded IW a sizable grant: \$40,000 for environmental investigative reporting. With the funds, staff reimbursed themselves for some start---up costs, and paid some key administrative expenses, including directors’ and officers’ insurance and libel insurance. But by late 2009, the group realized that *InvestigateWest* had to dramatically

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<sup>12</sup> Robert McClure, “Study sees parking lot dust as a cancer risk,” *MSNBC.com*, January 12, 2010. See: [http://www.msnbc.msn.com/id/34809699/ns/us\\_news-environment/t/study-sees-parking-lot-dust-cancerrisk/#.UH1bqJG9KSM](http://www.msnbc.msn.com/id/34809699/ns/us_news-environment/t/study-sees-parking-lot-dust-cancerrisk/#.UH1bqJG9KSM)

<sup>13</sup> Author’s telephone interview with Rita Hibbard on September 22, 2012. All further quotes from Hibbard, unless otherwise attributed, are from this interview.

rethink its business plan. Despite its budding editorial success, IW was nowhere close to supporting itself. The writers had not been paid for nearly a year.

One thing was clear: syndication—operating what amounted to a small, specialized wire service—was not working. IW staff had gotten early feedback from some regional editors that syndication would generate little profit, but had elected to try anyway. Now the time had come to abandon the scheme—there simply were not enough customers. In addition, they concluded that the original regional focus was too ambitious. The small team did not have the resources to cover the entire West, much less foster community through a series of local events as the Point B plan had envisioned. Finally, even the small staff it had was too expensive—IW would have to scale back. As McClure recalls:

Within the first six months, we realized that this business plan that we had was not really workable. We just started thinking [for example], how are we going to do [regional] events? Are we going to do an event in Los Angeles? We're all going to fly down there? That's not going to work.

*Burnout.* What's more, the staff were all exhausted. So from Christmas 2009, they started taking weekends off. As Hibbard recalls, "it was a mission, but you get burned out doing that. It was the first thing you'd think of in the morning and the last thing you'd think of at night." McClure confirms: "We said, 'this is not sustainable.' You have to take time off. And then we started actually taking some vacations." Smith went so far as to explore switching to another line of work. "I teach tango on the side and I worked out business plans and determined that I couldn't support myself teaching tango, but I might have if I could have," she remembers.

As it happened, there was no need to dismiss staff: in March 2010, Lathrop left for the *Dallas Morning News*, taking with him his Web and database expertise. Not long after, Young quit to pursue an MFA in creative writing. That left Hibbard, Smith and McClure, plus freelancers and interns. While their reporting and IT capacity were diminished, the silver lining to the attrition meant they could justify paying themselves modest compensation—which they decided to do starting in June 2010.

*Collaboration.* Meanwhile, McClure in January had attended a weeklong multimedia training session at UC---Berkeley. It convinced him that the most efficient way for the small team to produce multimedia stories was to partner with area radio, television and online news organizations. In---house production stretched their resources too thin. He recalls:

Our really deep skills were all in print. So we figured out that we could partner with groups like [Seattle PBS television station] KCTS. It became clear to me that while we can and will develop multimedia skills, that was not the optimal use of our resources at that time.

Partnership with broadcast outlets was *more* complicated than simply selling a story, as IW had done to date. For one, it meant reaching agreement on what each party would



deliver, who owned what, and how they would co---brand and promote the coverage. But IW was convinced it could be done; Hibbard, Smith, McClure and Young had been talking to area broadcasters for nearly a year about joint projects.

In early 2010, *InvestigateWest* finally struck a collaboration deal with KCTS. The two would jointly produce a story IW had found on the hazards facing healthcare workers handling chemotherapy drugs. Hibbard had been tipped to the story by a student attending a talk she gave. The student's mother was a clinical oncology pharmacist dying of cancer. Smith had looked into it and learned that this wasn't an isolated case; yet, despite a higher incidence of illness among cancer caregivers, the federal Occupational Safety and Health Administration (OSHA) had set no limits on workplace exposure to chemotherapy drugs. Smith would work with KCTS reporters and editors on a video story for the television station.

Meanwhile, the sealant story experience had taught IW that to make a profit, it had to sell each piece it produced across media platforms: print, broadcast and online.<sup>14</sup> So IW contracted to provide a print version of the chemotherapy workers story for the *Seattle Times* and a multimedia version for MSNBC.com. KCTS had contracted to pay IW \$6,000 for its work; the *Times* would pay \$500 and MSNBC.com another \$1,200. If this kind of arrangement could be replicated, IW could earn thousands per story, versus the hundreds it had made so far in print and online freelance fees. If it could leverage reporting across media, that would increase its exposure. The increased exposure in turn could bolster grant applications, membership drives, and story pitches—meaning more income. It would be a virtuous circle.

But in the meantime, IW remained disconcertingly dependent on foundations.

## Grant Realities

*InvestigateWest*—like other news nonprofits—had discovered that accepting funding from foundations raised some thorny questions. For example, grants frequently stipulated a particular topic. That meant a reporter could not necessarily write the story he uncovered, but had to stick to the agreed---upon subject area. Smith explains:

We realized quickly that when you get foundation money to do reporting on sustainable issues or life issues, you can't just suddenly turn around and decide to report on the zebra population somewhere else. I had had the luxury for a long time of just doing the story because it was a good story.

They also came to *realize* that their editorial track record had an effect on their ability to attract grant money—another factor to consider when deciding what stories to pursue. IW wanted to build a reputation for excellence in its chosen subjects; it had to learn to be

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<sup>14</sup> Syndication would have meant setting up a network of clients who would for a subscription fee would get all the content IW produced.

discriminating in what it chose to cover. As Smith recalls: “We became extra mindful of asking ourselves what does this fit? Why should we do this story and how will it further our mission?” IW was also alert to the possibility that a foundation might want particular treatment of a topic—an uncomfortable requirement for a news organization. Even if that expectation was not explicit, grant-funded reporters might be tempted to self-censor rather than publish what might offend a foundation or its allies.

Other challenges were practical. Foundations tracked their money and its impact, which meant stringent reporting requirements. “Even general support grants have requirements [such as a report] that you must complete in order to fulfill the contract,” notes McClure. Producing such reports, which often meant measuring progress through specified metrics, could be time-consuming and difficult for journalism projects to fulfill. Adds Smith:

Journalists believe in the power of information, which has many intangible effects in our society. Funders understandably want something more concrete than that. That’s why [there exists] this kind of formalizing of language around choosing stories that have potential for social change.

Foundations also preferred to fund pilots or defined tasks rather than ongoing operational expenses. IW learned that it was preferable to seek grants for a one-time effort or, for an ongoing project, to understand clearly that seed money might be all that was on offer. Recalls Hibbard: “When we first got some of that funding, the feeling was that three years might be the extent of the experimental period, and then we’d see.” Meeting the annual grant cycle also complicated editorial planning, since reporting projects might not line up with foundations’ fiscal calendars.

In general, however, *InvestigateWest*’s experience with foundations was positive. In February 2010, for example, it secured its largest grant yet: \$100,000 from the Ethics and Excellence in Journalism Foundation (EEJF). The grant was broad and uncomplicated by most measures, specifying “production and distribution of watchdog journalism on state and regional issues through the creation of a strong, self-sustaining Pacific Northwest network of media partners.”<sup>15</sup> The team used the money to cover administrative and operating costs.

Only once did IW hesitate. In March, the Russell Family Foundation approached it to produce a report on the political, physical, and environmental geography of Puget Sound. IW had earlier envisioned doing some commissioned research, but discussion arose because this report, for which Russell would pay \$10,000, would be for private consumption. Among other concerns, the journalism “studio,” as it had come to think of itself, did not want to acquire a reputation as writers for hire.

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<sup>15</sup> This key grant would be renewed in 2011 and 2012. See: <http://www.journalismfoundation.org/grants.htm>

Smith, McClure and Hibbard eventually accepted the grant. They justified the Russell project because much of the information would ultimately be made public, and because IW could use the information it uncovered in other ways. Recalls Smith: “[The foundation] owned the report that came out of it, but not the knowledge and the sourcing. So we were able to parlay the work we did into reporting.” But the hesitation highlighted the tension that could arise between funders’ directives and the imperatives of a news organization.

*Guidelines.* Other than subscribing to the Society of Professional Journalists code of ethics, the IW team had not adopted a set of formal guidelines for handling relationships with backers and partners, preferring to follow their instincts.<sup>16</sup> However, IW had gained some insights from board member Houston. In January 2010, he co-hosted a roundtable discussion at the University of Wisconsin-Madison on ethical issues confronting nonprofit investigative news organizations. Participants included Charles Lewis, founder of the Center for Public Integrity; Margaret Wolf Freivogel, editor and co-founder of the *St. Louis Beacon*; and Alden Loury, publisher of the *Chicago Reporter*. Funding was high on the list of issues.

The panelists stressed the need to vet donors and craft policies to maintain editorial control. They noted a strong consensus among nonprofit news outlets on the need for transparency and editorial independence, but wide variation in disclosing funding sources, and whether to accept funding with strings attached. They warned that conflicts of interest and funding ambiguities could pose a liability, especially as nonprofits came to compete with for-profit news outfits. They also cautioned that investigative nonprofits should avoid promising specific outcomes—the traditional yardstick for a foundation’s investment.<sup>17</sup>

For the time being, IW was grateful for its foundation support and had encountered no serious problems. Although some grants restricted the use of funds to specific topics or areas of coverage, the largest grants were fairly open-ended, and permitted spending on general reporting or business planning. IW was careful to make clear to funders that it could not guarantee what its reporting would find. McClure explains:

This is open-minded inquiry into a complex topic, where the person’s actually taking the time to go open the can of worms and pull them out. The whole thing early on was, just be transparent about where you’re getting your money. What we try to do here is find funders whose interests coincide with what we want to do.

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<sup>16</sup> Society of Professional Journalists, *Code of Ethics*. See: <http://www.spj.org/ethicscode.asp>

<sup>17</sup> Roundtable discussion, “Ethics for the New Investigative Newsroom,” January 29, 2010, held at the University of Wisconsin-Madison. See [http://www.journalismethics.info/2010\\_roundtable\\_report.pdf](http://www.journalismethics.info/2010_roundtable_report.pdf)

## Multi-outlet Series

Meanwhile, Smith's story on chemotherapy drug workers finally ran in July 2010. Publication went according to plan across the partner outlets. *Lifesaving Drugs, Deadly Consequences* aired on KCTS TV on July 9, followed the next day by a story on Page One in the *Seattle Times* (under Smith's byline) and on the paper's website, together with photos and video by IW freelancers Paul Joseph Brown and Mike Kane. MSNBC.com posted the story on July 11 along with the photos and video. The PBS Newshour also featured the story. All together, IW earned \$8,550 for its work.<sup>18</sup>

Hibbard, for one, was pleased to see that IW could work with three marquee media outlets, manage to meet the requirements of each, and achieve some cross promotion. It had taken over a year, but *InvestigateWest* could finally boast of a joint project with KCTS. Smith recalls:

We wouldn't have known until we actually got into doing this that we have a really nice fit with broadcast audiences. We each bring something to the table that the other really doesn't have. They can film stuff and we can report stuff. And while they have reporters, they don't have enough of their own reporting manpower to do what we do.

Mid-August 2010 saw the results of another business experiment: a piece by van der Voo on cruise ship pollution. The story played across more than a dozen outlets, including the *Spokane Spokesman-Review*, the *Portland Oregonian*, and *SeattlePI.com*, the *Post-Intelligencer* website. KCTS ran a segment on the topic and interviewed van der Voo.

By this stage, the work was steady. In the fall of 2010, thanks to a grant from the charitable foundation of streaming media software company RealNetworks, *InvestigateWest* and KCTS reported on air pollution in the neighborhoods of South Seattle's industrial district. In October, KUOW radio aired a documentary by Smith on the effects on children and schools of homelessness among young adults. The piece, reported with funds from the Bill & Melinda Gates Foundation (via a Seattle University fellowship), also ran online on *SeattlePI.com* and *AOL News*, and in print in the *Walla Walla Union Bulletin* and the *Yakima Herald-Republic*.

One good story could lead to another. In reporting the homelessness story, Smith had met a couple who had lost their home and jobs in the wake of an addiction that started with prescribed Oxycodone. Around the same time, on July 28, 2010 the *New York Times* ran an article noting that Washington State's pending prescription laws, if enacted, would be the toughest in the nation. Smith recalls: "Rita [Hibbard] and I were brainstorming a story to take to KCTS, and we felt like there was a deeper explanatory story to be told there about the evolution of the prescription drug problem in our state." In early 2011, several more

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<sup>18</sup> In addition to the contract partners, a couple of small papers paid an additional \$350 total to run the story.

*InvestigateWest* projects ran: on the effects of a loophole in Washington state's anti-sprawl legislation; air traffic safety (through a collaboration between NPR and INN); cuts in federal and state spending on mental health (produced with CPI); and the health problems of residents near south Seattle's Duwamish River Superfund Site.<sup>19</sup>

More or less through trial and error, the group had developed a preferred formula: work with a broadcaster on a long-term (typically one-year) contract for several projects, with the flexibility to package the reporting for multiple outlets, including print and online. McClure expands: "What we've realized at this point is we need a group of loyal partner news organizations that we can place our material in, and in some cases actually collaborate with. If we can get paid to do the latter, that's better."

Moreover, by mid-2011, IW could point to a string of impressive results from its reporting. The Superfund piece prompted the EPA to fund a \$100,000 government study of the health risks facing the communities surrounding the site. In April 2011, Washington State enacted a pair of workplace safety laws in response to the previous year's reporting on chemotherapy providers. Along with the ban on toxic coal-tar sealants and the Reed College reform, this was the kind of impact the group had hoped for.

### **Elusive Business Formula**

News was also encouraging on the financial front. The organization's balance sheet looked relatively healthy. Because IW didn't pay salaries until June 2010, it operated in the black from the start. Income exceeded expenses in 2009 and 2010. On the negative side, however, earnings from reporting were disappointingly low. In 2010, they amounted to less than \$14,000 on income of \$235,000. For example, reporting and production costs on the cruise ship pollution story had exceeded earnings. Recalls Hibbard: "That was the single best distribution of a story, but it still cost more to actually do it."<sup>20</sup> Fortunately, IW continued to attract foundation support. In late 2010, it won a \$60,000 business innovation grant from the Seattle-based Brainerd Foundation.

But it still had no business formula that would assure its continued existence. Its business practices were ad hoc and often improvised. In early 2011, Hibbard began a fellowship for media executives at the Columbia University Graduate School of Journalism.<sup>21</sup> The program required participants to bring actual business projects for examination. Hibbard recalls

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<sup>19</sup> Smith reported the Superfund piece through a California Endowment Health Journalism grant. The California Endowment was a private foundation established in the 1990s as part of Blue Cross of California's conversion to the for-profit WellPoint Health Networks.

<sup>20</sup> IW had worked through Spot.us, a clearinghouse and fundraising site for grassroots reporting. To obtain funding using Spot.us, a reporter proposed a story and the budget required to produce it. IW met its fundraising goal, but that proved insufficient to cover expenses. The story was distributed via a Creative Commons copyright agreement, which allowed for free noncommercial redistribution and modification.

<sup>21</sup> The Punch Sulzberger Executive Leadership Program involved some travel to New York, but was mostly conducted long distance.

that "my project was essentially to provide financial stability for *InvestigateWest*." She hoped her work would bring more clarity to what IW was doing.

But Hibbard found herself too busy managing IW to take full advantage. In such a small organization, there was no one to take up the slack. So while the program provided coaching from Columbia faculty plus media and business consultants, Hibbard recalls, "I didn't feel like I had the resources or time to develop all the kinds of financial and other information I would have liked to." At one point, instead of attending a lecture on negotiation, "I was on the phone negotiating a story on federal immigrant detention centers with the editors at the *Tacoma News---Tribune*," she recalls.

In yet another experiment, IW in summer 2011 tried free distribution; they hoped it would at least bring public recognition. They had been unable to sell an intern's story on a Seattle nonprofit's efforts to conserve and harvest the city's fruit trees and donate much of the produce to local food banks. So, recalls Smith, "we thought, OK, let's just reduce the price to nothing and see if a wide variety of people will run it and, in fact, they didn't. So we were able to check that experiment off."

*Existential crisis.* Then in August 2011, Hibbard dealt the organization a blow: she announced her resignation. She felt the timing was acceptable: the organization had over \$50,000 in the bank and what she considered a healthy editorial output. Hibbard would stay through November to help with the transition. "I felt like I needed to do something different for myself, and I wanted to do that at a time when *InvestigateWest* was doing well," says Hibbard. "I just needed to recharge and take some time off."

Hibbard's decision stirred the board, until then fairly hands---off, to action. A single departure could still bring the enterprise to a halt. At the same time, it gave IW an opportunity to evaluate progress and plan for future needs. A board meeting was scheduled for December. Members decided to make it a two---day gathering to hash out a succession plan and address the need for a coherent business strategy.

*InvestigateWest* Board Chairman Reich remembered Jason Alcorn, who had moved to Los Angeles from New York City that summer. A Harvard social studies graduate with experience in Internet marketing for nonprofits, Alcorn had just completed a dual masters degree program in journalism and international affairs at Columbia. He had started to establish himself as a freelance journalist. Reich knew Alcorn from the latter's stint in online marketing, and sounded him out about joining *InvestigateWest*—primarily on the business side. Recalls Alcorn:

I expected, not having had a journalism background, that it would take six months to a year or two to get my feet under me as a professional journalist. I jumped at the opportunity to learn from Robert

[McClure] and Carol [Smith], who are both phenomenal reporters, and to try new things.<sup>22</sup>

In October, IW at Reich's suggestion brought on Alcorn as a contractor to help keep the operation running and eventually to work on a revised business plan. The contract would also serve as an audition; McClure and Smith wanted to work with Alcorn before agreeing to bring him on fulltime. He brought training in digital journalism, and an ability to package reporting and ancillary materials for multiple platforms. He also had the business experience to view journalism as a set of skills, services and expertise, rather than as the creation of a single end product.

*Office space* Amid the uncertainty came a practical and psychological boost. In early November 2011, *InvestigateWest* moved into offices in KCTS's Seattle headquarters. An in-kind deal negotiated as part of a yearlong contract for several investigative projects, the move signaled at least a degree of stability. The space, which included a large common area, was soon decorated with souvenir and classroom globes, a reminder of the *Post-Intelligencer's* iconic 30-foot high neon globe, which had graced the paper's headquarters since the 1940s.<sup>23</sup>

## Reassessment

After Hibbard announced her resignation, the staff conferred intensely with individual board members and held several conference calls with the entire board. McClure and Smith outlined a plan to divide management responsibilities by naming McClure executive director and Smith executive editor. They also discussed bringing in a third person to assume many of Hibbard's responsibilities.

*Board meeting.* The December 5-6, 2011 board meeting, held in *InvestigateWest's* new offices, was a tense affair. Not only was there Hibbard's replacement to agree on, but a key funder—the Brainerd Foundation—was demanding evidence that the organization was still on track before renewing its support. With Hibbard's exit, the foundation was hesitant to renew its support in the absence of a clear business plan. Among other issues, 2011 revenues were down. Not by much -- \$200,000 compared to \$235,000 in 2010—but not rising.

On the first day of the summit, as the board dubbed its meeting, the staff and board wrestled with fundamental questions of *InvestigateWest's* core journalistic mission, the group's strengths and what the next steps should be. The second day, they brought in community members and supporters, including Brainerd Executive Director Ann Krumboltz, to solicit their input. Recalls McClure:

I [reiterated] to the board that what we really are is a journalism studio. Like the movie studios, lots of ideas come in, lots of screenplays. We

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<sup>22</sup> Author's interview with Jason Alcorn on August 1, 2012 in Los Angeles. All further quotes from Alcorn, unless otherwise attributed, are from this interview.

<sup>23</sup> In 2012, the globe was designated a city landmark and donated to the Seattle Museum of History and Industry.

get a lot of ideas. And then we figure out which ones to actually go do and why, and who it would go to.

The board observed that, on the plus side, IW staff members had learned on the job, with occasional training on how to manage the operation and how to work online, in radio or on television. Through its embrace of multiple media platforms and relationships with regional media outlets, IW had managed to create civic engagement and an independent journalistic voice. It could even claim to have become an influential community resource.

But IW was not paying its way. The board pressed the journalists to work toward sustainability by aggressively cultivating new partners and funders, and by monetizing their skills in non---traditional ways. These points were hardly new. As McClure recalls, “staff and board were focused from very early on toward what we could do in terms of non---traditional income.” But Hibbard’s departure had lent new urgency to the task. Suggestions included writing more custom reports, selling research services, marketing their expertise in database search and data presentation, offering training, and booking speaking engagements.

This Swiss Army knife approach to selling journalists’ services met some skepticism. Smith wondered if there was much demand on the speaking circuit, for example, for a reporter who had just wrapped up a series on homelessness. She also worried about the time commitment: “That [type of engagement] takes me away from reporting. All of these things are good things in principle, but not necessarily do---able with a small staff.”

Alcorn thought it might be appropriate for reporters to speak at or moderate debates at civic venues like Town Hall Seattle and City Club Seattle, or appear on television programs like KCTS’ *Science Café* with an expert they’d written about. This dovetailed with IW’s emphasis on sparking public discussion and eliciting feedback from policymakers and the community at large. (For example, McClure had organized a panel discussion after reporting on storm---water and Smith had briefed a state senator on the health risks to chemotherapy workers.)

Finally, the board revisited the earlier decision to focus primarily on Washington state and Oregon. It saw an opportunity to build additional partnerships with broadcasters in Idaho and Montana, possibly British Columbia. At the end of the meeting, the board presented McClure, Smith and Alcorn with a lengthy to---do list, equal parts editorial calendar and business rescue, heavy on grant proposals and donor appeals. There was an air of urgency. Alcorn recalls:

The board voiced their support for the organization, but when you’re a three---year---old organization and a founder leaves and your cash in the bank is running out and the foundations are saying we need to see something different, even given the accomplishments of the journalism, I think there was a clear sense in the room that we weren’t yet on a path to sustainability. We had less than six months of cash on hand.



## New Plan

Instead of tackling the entire to-do list, McClure, Smith and Alcorn spent the better part of the next two months working on a business plan for 2012-2014. With his business background, Alcorn took the lead. Meanwhile, McClure and Smith took off the last two weeks of December to recuperate from the strains of the autumn. On return, they decided to put other activities on the back burner. Alcorn recalls: “We continued to put out some stories, but we very much stepped back and did less fundraising, less prospects, less pushing forward stories that were in the works.”

Over December and January, the group commissioned market research and solicited outside expert feedback. In mid-January, the journalists brought a draft of the business plan to the board. Alcorn reviewed it with each board member individually and fielded input from outside experts, including Kevin Davis from INN, former KPBS (San Diego) News Director Michael Marcotte, and Sherry Brainerd and Ann Krumboltz of the Brainerd Foundation. By mid-February 2012, they had a final version for board consideration. It was ambitious.

*Staff.* Rather than continue as a three-person outfit with several freelancers and some interns, the plan called for expansion. As Alcorn explains: “The decision to expand was a survival strategy as much as a growth strategy. If something sudden were to happen to any one of us and we had to leave or take a leave of absence, it would be a challenge to pick up the slack and still meet our commitments. Staffing up allows us to expand geographically and editorially where we see strategic opportunities.” Another hope in enlarging the staff was to bring some clarity to the role of each employee, adds Alcorn:

In a three-person organization, there’s a trade-off between journalism and fundraising, organizational strength, capacity more broadly. We made a large investment in organizational capacity, but we [hadn’t] found that sweet spot where we are capably doing the journalism at the same time that we’re capably doing the things that will make us a long run sustainable organization. We swing back and forth.

They would begin by adding a senior reporter in the fourth quarter of 2012. The next year would see a dramatic increase—hire a director of events and development plus a digital news editor during the second quarter, to be joined in the third quarter by a second senior reporter and two journalism “fellows” who would work as junior reporters.<sup>24</sup> With the expanded staff, *InvestigateWest* could add government and institutional accountability to the existing environment and public health beats. By defining the junior reporter positions as fellowships, a suggestion Alcorn made, they would be in line for a new category of foundation grants. Notes Smith:

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<sup>24</sup> *Investigate West* Business Plan, February 27, 2012.

The education of the next generation of journalists is a huge issue. But it also opens up a group of funders that haven't been available to us before, and so it was a really smart way of addressing something that was already in our mission while diversifying our funding base.

*Marketing.* Alcorn also proposed a new approach to marketing: emphasize IW's role as a "journalism studio." That moniker could attract individual members as well as institutional donors. He explains: "Our brand would be as a journalism studio with a set of supporters and members to support us because of what we were doing in developing stories and putting them in front of a broad audience across the Northwest."

As part of that effort, *InvestigateWest* would beef up its website. Its goal was to reach anyone involved with its work, from readers and viewers to partners, potential members and donors, foundations, and IW's board. It would post its major projects, and include funding credits. The result, says Alcorn, would be "something that looks professional, that is a repository and archive of the collective work that we've done." He adds:

We think of ourselves as being in the business of news and information products. The people who finance our work—whether through earned revenue, memberships, foundation grants, etc.—should do so because we put out a good product that's compelling and has an impact. We want users, not just benefactors.

*Revenue.* Finally, with all its editorial success, IW had earned only \$20,000 from reporting in 2011; clearly it was crucial to develop other revenue sources. In the business plan, the group proposed to revive an earlier effort to recruit members, on the model of public radio. If all went well, 1,000 \$5-a-month members could yield \$60,000 in 2014. With Alcorn as fundraiser, they also envisioned an increase in individual donations from roughly \$5,000 in 2011 to a projected \$50,000 in 2012. This was projected to more than double in 2013 with the hiring of an events/development director, and increase to \$187,500 in 2014. The projections were based on a combination of industry data and personal experience and were vetted by outside reviewers.<sup>25</sup>

Although foundation support would remain indispensable for the foreseeable future, the plan called for IW simultaneously to pursue corporate sponsorships and individual donations, and look for revenue from non-reporting activities, whether consulting, training, events, or custom research. Alcorn, McClure and Smith made lists of potential prospects: individuals and foundations that supported organizations similar to *InvestigateWest*. This included the M.J. Murdock Charitable Trust and Social Venture Partners, and individuals like Seattle entrepreneur Jillian Avey and Judy Pigott, a trustee of the

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<sup>25</sup> The February 2012 business plan cites the October 2011 Knight Foundation report, *Getting Local: How Nonprofit News Ventures Seek Sustainability* as one of several sources for revenue information on comparable organizations.

Satterberg Foundation (which backed social justice and environmental causes). They also researched potential corporate sponsors in the Seattle area.

If successful, the team anticipated steep revenue gains. From actual income of about \$200,000 in 2011, the plan projected \$324,000 in 2012, \$551,500 in 2013 and \$677,000 in 2014. Moreover, if individual donations and membership dues went up as hoped, foundation grants would represent less than half of total income in 2013 and 2014. The board approved the new business plan on February 27.

## Plan into Action

Meanwhile, IW continued to produce high quality work. In December 2011, it released *Where There's Smoke, There's Sickness*, a story on the air pollution and sickness caused by wood smoke. The piece was produced as part of a collaborative series on regional air pollution with EarthFix, a public broadcasting environmental news project, and Northwest News Network, a consortium of public radio stations.

In early 2012, Smith's six-month investigation into prescription drug abuse ran as a half-hour documentary on KCTS, as the A1 story in the Sunday edition of the *Spokane Spokesman-Review* and on the *Crosscut* website. The story played well on the individual media and was successfully staged across platforms. The *Crosscut* articles, which were published before the documentary aired, promoted it. The stories on *Crosscut* spent several days at the top of the site's most viewed list, prolonging the free advertising for KCTS. Smith also talked about the coverage on KUOW. In keeping with their new plan, IW posted ancillary material from the prescription drug abuse reporting to its website. Explains Alcorn:

We try to keep something exclusively on our site, in most cases. Not necessarily original, unique reporting, but the artifacts of reporting: interviews, photographs, data, public records.

*Trial run.* Meanwhile, an occasion arose to test the new strategic plan more fully. McClure had been covering the Clean Water Act since the late 1980s, when he reported on the Everglades. Not a fan of anniversary hooks, he nonetheless had had the idea several years earlier to produce a package linked to the Act's 40<sup>th</sup> anniversary, which fell on October 18, 2012. He recalls: "It struck me as an important opportunity to critique a bedrock environmental statute."

IW had started to pursue funding for the project as early as June 2011 when, together with the New England Center for Investigative Reporting and CPI, it applied for a six-figure grant from a large foundation. But they failed to secure the money. Then in January 2012, INN brokered a conversation between IW, Oregon Public Broadcasting (OPB) and EarthFix, with whom IW had already worked on the December 2011 wood smoke story. As it turned out, OPB had recent polling data showing that clean water was Northwest residents' top environmental concern. In February 2012, *InvestigateWest* signed a deal with EarthFix for six months' coverage of the Clean Water Act anniversary.

In negotiating with EarthFix, Alcorn operated from the new playbook. He committed IW to a package of five major stories, for which it would earn \$20,000. McClure would act as lead reporter, coordinate the coverage with EarthFix reporters and would be on call to provide support. Alcorn would handle the story design, its rollout, marketing and audience building, while Smith handled some of the editing. EarthFix's public---broadcaster members would carry the content on their half dozen websites while IW retained rights to use the material on its website. But Alcorn also stressed training and consulting. He explains:

The reason that they're paying us to do this is not just to write the stories for them, but for Robert [McClure] and myself to work with their staff—phenomenal broadcast journalists, but not all of them have done investigative reporting. Not all of them have done public record searches. Not all of them can look at an EPA database and parse it and say, based on the data, here's the polluter that we need to go talk to... And there's training, mentoring, consulting aspects to it that will help EarthFix strengthen its ability to do investigative reporting.

The contract with EarthFix played to *InvestigateWest's* strengths. It built on earlier experience, and reached into new territory as the business plan envisioned. But no sooner was the ink dry on the deal than the IW team began to wonder whether it had made a good call. Would they be able to supply a steady stream of in---depth reporting to EarthFix while also providing training, help with design and presentation, and marketing? How would they handle the logistics of working with reporters and editors spread out across the Northwest?

What about the other IW strategic goals—to pursue other reporting projects and foundation grants, revive the membership campaign, make donor appeals, explore opportunities for events and speaking engagements, upgrade the publishing platform, and supply its expanded capacity for content? They wanted to do a first---rate job for EarthFix—and still move forward on those other plans. How would they find the capacity to pursue all of them simultaneously? Perhaps they should scale back and focus on one at a time.

## **APPENDIX I**

### *InvestigateWest Business Plan*

**Note:** This financial plan has been edited to exclude some proprietary financial information. In all other respects, however, it appears in its original form.