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THE BOUNDARIES OF SOCIAL ENTERPRISE: WHEN CAN A FAILING BUSINESS SUCCEED IN NONPROFIT FORM?

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INTRODUCTION

Three or four decades ago, the terms "management" and "nonprofit organizations" were rarely used in the same sentence. Nonprofits were manned by volunteers or professionals in a particular field of specialization such as social services, education, the arts, health care or social justice, with "administrative responsibilities" assumed by senior professional or volunteer leaders and carried out as a necessary but unglamorous function, secondary to work that directly involved the cause or service mission. Much has changed in the last forty years as the nonprofit sector has grown, assumed greater responsibilities for critical functions in society and consumed a greater proportion of public resources. Programs of management education explicitly designed for nonprofit work are now common in universities, nonprofit management consultants and management support organizations are in demand, nonprofit management literature flourishes, and management talent is now rewarded in nonprofits and not generally viewed as secondary in importance to direct service work.

Along side this transition in nonprofit management has been the lingering question of whether management work in the nonprofit sector is really much different from management of a for-profit business. Strong arguments have been made on each side of the question, with an emerging consensus that both similarities and importance differences exist, and that over time differences may be disappearing because of increasing interpenetration of the sectors and "blurring" of the boundaries between nonprofit and for-profit. If anything, however, doubts about the signal importance of good management in the nonprofit sector have all but disappeared. Nonprofits are now held to account for their financial integrity and their performance as never before, and all signs point to continuing growth in expectations for competent and high performing management of these organizations.

While the importance of the management function in nonprofit organizations is now widely recognized, uncertainty remains about the distinctions between managing nonprofits versus managing a for-profit business. In this paper, we argue that while the basic challenges of managing organizations are generic, the strategies that nonprofit organizations use to address these challenges must often differ from those used in business. The purpose of this paper is to explore some of these differences. To do so, we apply a particular framework of analysis derived from utilizing musical ensembles as a metaphor for organizations (Young, 2004). *The Music of Management* frames five major challenges facing the management of any organization. In brief, these functions are the *coordination* of activities and resources, the *motivation* of people, the identification of an environmental or market *niche* in which the organization is able to thrive, and adaptation to *change and innovation* over time. Attending to these challenges in tandem were essential to achieving *organizational excellence* (Young, 2004).

A key aspect of this analysis is that organizations have many different ways of addressing each of the five challenges; indeed they define excellence in different ways, and, moreover, organizations differ widely among themselves along several important dimensions such as size, maturity, the nature of the work they perform and the environments in which they operate. Hence, we should expect that organizations in difference circumstances will employ different means to address each of their basic challenges. In the context of musical ensembles, for example, central leadership (conductors) and formal instructional plans (written musical scores) might best address the coordinative challenges of a large symphony orchestra while shared leadership (among key players) and visual cues might better serve a small jazz chamber group.

Although Young (2004) used a number of nonprofit sector examples, his original analysis did not focus on the distinctions between nonprofit and for-profit organizations per se. The purpose of this paper is to revisit the five challenges with the differences between nonprofit and for-profit organizations in mind. This requires normalizing or "holding constant" other differences among organizations such as their size, age, and the kind of work they do. One way to do this is to focus on "mixed industries" where nonprofit and for-profit organizations exist side by side in the same or similar industries, such as day care for children, nursing homes, hospitals, schools or theaters. This approach would require pairing up, or finding comparable clusters of, nonprofit and for-profit organizations of similar size, location, age, field of service, and so on, in order to control for the influences of independent variables other than sector. Such good pairings or groupings are not easily found, and close matches rare. Another approach is to examine particular organizations in transition from nonprofit to for-profit status or vice versa, and to compare their experiences before and after. The advantage of this approach is to control, at least around the time of transition, for numerous organizational and environmental variables such as location, culture and size that might independently influence management choices. Again such cases are not exceedingly common or readily accessible for both before and after historical documentation, though they are certainly worthy of investigation. In this paper, we undertake a first step in analyzing comparative and transitional case studies. In particular, we focus on two organizations – a failing for-profit business and a functioning nonprofit organization in the same industry of urban riding academies. Our analysis asks – under what circumstances and for what reasons can a failing business transform itself into a successful nonprofit operation?

1. THE CLAREMONT RIDING ACADEMY

The Claremont Riding Academy was the oldest continuously operated stable in New York City, and purportedly the oldest such academy in the United States (Fernandez, 2007). It was established as a public livery stable in 1892 with a riding school instituted in 1927, operating on the upper west side of Manhattan, two blocks from Central Park. The Academy offered riding lessons and the renting and boarding of horses, with its customers using the public pathways and trails of the park in this densely populated city environment. It employed between 15 and 20 instructors according to Wikipedia (2007). Although a single owner proprietary business, Claremont was unique to Manhattan and regarded by many as a community institution. But in April of 2007 it closed its doors and went out of business, citing the increasing costs of taxes, insurance and facilities maintenance and restoration, and declining demand due to increasing congestion in the park. The closing caused a great deal of consternation among customers and in the local community where it was regarded by some as a community institution. The owner, Paul Novograd was quoted in the New York Times as saying "It's a wonderful institution. It's a shame it has to go. But I can't go into bankruptcy. I've taken out a second mortgage on my house to put money into this place." At the same time customers and public officials condemned the closing (Fernandez, 2007).

It seems clear that even with the best of intentions, Claremont could not have continued as a for-profit business. According to one source at least, the owner was a very savvy businessman: "What he *did* understand, above all, was how to make money out of horses – most important, how to get them out to the park with a paying customer in the saddle (a journey of one block uptown and two blocks crosstown through heavy, impatient, and often antagonistic traffic), no matter how spavined, lame, or weary the horse might be, or how barely competent the rider. Mr. Novograd was also a horse trader in the old-fashioned sense of the term, in touch with the horse netherworld, where you bought horses cheaply at livestock auctions by the job lot, then got rid of the ones you didn't want by selling them off as carriage horses, or to brokers who provided horses for summer riding camps, or, at the very bottom end of the feeding chain, to people who bought hopeless rejects for the pet food companies." (Korda, 2003, p.63)

Despite the considerable business acumen of its management, Claremont's changing cost and demand structures would not allow survival simply on the basis of market transactions. But one can imagine it operating as a nonprofit organization, although even as a nonprofit its viability and justification would be far from certain. Nonetheless, various characteristics and potentialities of Claremont might have allowed it to succeed as a nonprofit. It had some level of public support for its preservation as an historical and community institution, which might have translated into a stream of government funding. (Indeed, it has designation as a National Historic Site (Wikipedia, 2007; Korda, 2003)). Moreover, nonprofit status might have afforded Claremont some cost savings, particularly taxes. Furthermore, Claremont had a customer base and a neighborhood constituency that might have permitted support in the form of charitable contributions and volunteer labor, and advocates who might have lobbied government to make provisions to better accommodate horse riding in Central Park so that private demand and earned revenue could be bolstered. Claremont also had alumni with fond memories of riding lessons and experiences in childhood who might have provided financial help. And there may have been some potential to develop supplementary programs that could have contributed to other public service goals, especially for youth. Riding as therapy for emotionally challenged children or as a constructive, character building activity for troubled or troublesome youth in the community, are two possibilities that might have attracted social services funding or philanthropic support. These various sources might have supplemented the diminishing but still substantial earned revenue from riding lessons and boarding fees.

This is not to argue that any of these solutions would necessarily have worked or, indeed, that Claremont would have automatically qualified as a charitable, tax exempt nonprofit organization. Nonprofit organizations must still break even and the cost and demand issues that Claremont faced were serious and possibly insurmountable. Moreover, a nonprofit Claremont would have to justify its mission as a charitable one and it would have to organize a board of directors and govern itself in an appropriate manner. In addition, the property of the present owner would have to be duly compensated through some kind of purchase or rental arrangement. But Claremont does provide an interesting and realistic context in which to explore how the challenges of managing differ in nonprofit vs. for-profit contexts.

As a for-profit proprietary organization, Claremont's owner had ultimate responsibility and authority for all decisions involving staff, operations, services, pricing and the like, subject to obeying the law. In this form there were essentially three groups of stakeholders that mattered – the owner, creditors, and customers. As a nonprofit, Claremont would be governed by a voluntary board of directors and would have to respond to multiple stakeholder groups that provided various forms of resources and oversight (customers, donors, government funders and regulators, volunteers, community groups, etc.). Hence a nonprofit Claremont would differ substantially from Claremont as a business, with important implications for how the challenges of management could be approached.

2. CHASTAIN HORSE PARK

Chastain Horse Park, Ltd., a nonprofit riding academy operating in Atlanta, Georgia since 1999, provides an interesting nonprofit comparison to the for-profit Claremont Riding Academy. Chastain is similarly located on the grounds of historic horse stables, Chastain Stables, which was founded in 1939 at the edge of a city park. Like Claremont, the property has also experienced a tumultuous past and has required extensive renovations (Saunders 1999). After years of operating in deteriorating buildings, the city evicted the managers of Chastain Stables and closed the property 1996 (Cauley 1996). Prior to its closing, the public stables under private lease and management, offered boarding and a nonprofit therapeutic riding program, the Crawford Center. The stable and riding center had loyal customers and students, but they failed to generate enough revenue and community support to carry out major renovations that were needed to sustain the stables over the long term (Ermentrout & Cole 1991; Cauley 1996; McIntosh 1992).

Chastain Stables was rebuilt and reopened as a 501(c)(3) nonprofit therapeutic riding facility under the name Chastain Horse Park (Chastain) in 1999. From its start, the renewed organization has enjoyed widespread community support under its new management. The managers initially secured a $2.7 million bond, foundation support and additional major private donations for reconstruction along with a 20-year lease on the property from the city (Finger 1998; Chastain Horse Park, Ltd. 2008). Chastain continues to receive wide donor and volunteer support, receiving over $400,000 a year in charitable contributions and maintaining 600 to 800 active volunteers throughout the year (Chastain Horse Park 2006 IRS Form 990; interview).

Chastain's new managers successfully grew the organization to 17 therapeutic and riding instructors, in addition to management, fundraising, and volunteer management staff, and 300 students. Half of Chastain's students receive therapeutic services, and the organization also provides outreach to low-income children. Chastain also provides boarding services with 50 stalls, and the renovated facilities provide a venue for public and private events along with rented office space. Due to Chastain's new managers' success and the strong reputation they have generated, there are currently waiting lists for all of Chastain's programs and services.

As a nonprofit organization, Chastain is governed by a board of directors which is composed of Atlanta business leaders and other community members. Chastain also has advisory boards to help set policies and review decisions regarding its therapy programs and other practices. The management team is highly specialized, and day-to-day operations decisions are divided among the staff based on specialty: the barn manager is responsible for decisions regarding the horses, their upkeep and health; the volunteer coordinator is responsible for scheduling and tracking volunteers, the development director is in charge of fundraising; and the executive director is responsible for overall management. Unlike in a for-profit, no one person retains ownership or authority. Instead, decisions are collaborative and all members of the organization, including the board, management, staff, instructors, volunteers, boarders, students, and donors feel a sense of ownership and responsibility for the organization's mission and success.

3. THE COORDINATION CHALLENGE

Organizations use five major strategies to ensure that their various parts (people, departments, activities, functions) work in tandem to achieve organizational objectives (Young 2004). These strategies include the use of (1) plans, (2) interpersonal communications, (3) education and training, (4) practice and (5) formal leadership.

The coordination challenges of nonprofits and for-profit businesses differ, however. Nonprofits are more likely to attract people intrinsically motivated by the work and perhaps less concerned with their material compensation or benefit. They may attract workers who are more professional and highly educated, but also more demanding of autonomy to apply their knowledge without as much direct or intensive supervision. Yet, work force skills may also vary more widely in nonprofits since less skilled amateurs and volunteers may also be employed in this venue. As a case in point, the nonprofit Chastain integrates into its operations a mix of volunteers with various skill levels and certifications. It is also multi-faceted, providing a variety of social, educational and community programs in addition to traditional business. This makes its marketing and public relations issues more complex than the for-profit Claremont because it deals with a greater variety of clients and customers. It also requires a more complex financial administration since it depends on an array of different revenue sources. In these ways, the nonprofit Chastain faces more daunting coordination challenges and must employ a different combination of means to address them.

In particular, the for-profit Claremont presumably was run in a fairly conventional style with clear lines of authority leading to the owner as final arbiter or decision-maker. As a small business, it would be characterized by what Mintzberg called a "simple structure" (Mintzberg, 1989). While the owner might very well decide to delegate responsibility to various employees, he would also have clear authority to set the rules and standards and hold his staff to account for their performance.

In the nonprofit Chastain, stakeholders are not so easily regimented. Coordination depends more on communication and persuasion by an executive director appointed by the board, and a shared, articulated vision which staff and board can mutually accept. Moreover, the executive in the nonprofit Chastain has less control over economic incentives since stock options or profit-sharing are prohibited and performance bonuses have to be administered cautiously so as not to undermine the social mission-focus of the organization (Nelson, 1991).

Overall, the coordination challenge is not only more complex for the nonprofit Chastain but also requires a much different approach than that employed by the for-profit Claremont. In the for-profit Claremont, the owner had greater direct control to issue orders, policies, and procedures, and to reward good work and punish mistakes, in order to ensure that all parts of the operation were working together. Consequently, there is likely to have been less lateral communication among workers to achieve coordination than would be found in a nonprofit. In the nonprofit Chastain, the executive not only has more programs and types of people and groups to coordinate, but she also is more likely to depend on persuasion, intangible rewards, intrinsic motivations of workers, and setting a good example for others to follow. This is especially true regarding volunteer management and motivation since volunteers are given high levels of responsibility in peer training and therapeutic lessons and cannot be managed through pay incentives. Furthermore, with so many active volunteers, volunteer management must be undertaken by a team which includes the management staff, volunteer coordinator, senior volunteers, and program instructors, creating more coordination problems with volunteer recruitment, evaluation, and retention. In the for-profit Claremont, drills and trainings (e.g., for safety, animal health and other factors that could affect profitability) may have been obligatory (and even rigorous) but perhaps undertaken with limited enthusiasm by staff responding to a paycheck or an owner looking to save money. In the nonprofit Chastain, shared concerns for mission success serve to motivate participation in practice exercises, even if volunteers and professional staff (e.g., riding instructors and veterinarians) are more demanding of discretion and autonomy.

4. THE MOTIVATION CHALLENGE

Strategies for motivating the work of personnel include recruitment of appropriate workers, assigning work tasks that challenge, inspire or penalize workers; associating status and prestige with different tasks or positions; providing opportunities to share leadership; formal systems of monitoring and rewarding performance; and inspiring individuals about the work of the organization (Young, 2004). Other factors held equal, nonprofits and for-profits have differential access to these various strategies.

As a for-profit business, Claremont Riding Academy’s ownership likely had full control over the hiring and firing of staff, financial compensation, designation of staff positions and internal promotions. It would have had incentives to tie pay to productivity and performance in order to maximize profits. It is unclear how much authority would have been shared with staff or how much staff would have been inspired by ownership's larger vision or dedication to community interests or social purposes. As a privately held for-profit business, Claremont's owner had wide discretion in these matters, within the boundaries of market pressures.

In the nonprofit Chastain, top management is more constrained, subject to personnel policies and budget plans set by, or negotiated with, the board. These policies include adhering to comparably high standards requiring professional certifications and additional North American Riding for the Handicapped Association (NARHA) training for new instructors. Indeed, the compensation of top management itself is subject to review by the board within the context of IRS rules about reasonable compensation. Nonetheless, the nonprofit Chastain might have a greater capacity to motivate staff than its for-profit Claremont counterpart. Its top management is "mission-driven" and may be more willing to trade-off some financial compensation for flexibility, recognition and the opportunity to contribute to a public good. The nonprofit Chastain also attracts highly professionally-motivated riding instructors and staff that have professional certifications and that are willing to undertake additional training. Chastain enjoys a very low staff turnover and has the good fortune of having many more applicants than positions they can reasonably fill. Chastain's instructors and staff demonstrate a passion with the welfare of the animals and the preservation of horse-riding as a recreational and therapeutic activity. Similarly, Chastain's volunteers show passion for their work and are able to do meaningful work to advance the organization's mission while pursuing their interest in horses, therapy, or helping others. Chastain's reward system places a heavy emphasis on recognition for good service and tenure, and its management style emphasizes collegiality and cooperation in order to encourage greater commitment by lay, professional and volunteer staff members.

5. THE NICHE CHALLENGE

Niche-finding is a matter of identifying a space in the economic order in which an organization can successfully compete. All organizations, employ a number of different interconnected strategies for finding and maintaining a viable market niche. They engage in internal dialogue and undertake formal planning activities. They engage the diverse perspectives of their staff in order to identify new variations or approaches to their work, and to figure out what is working and what isn't. They experiment with new activities and variations of existing programs, either in ad hoc fashion or through formal marketing initiatives. They may encourage their leaders to take risks in order to explore new markets or the viability of new ideas. And they can engage visionary leaders who can imagine and articulate the organization's place in the world, or the special nature of its product, and communicate their vision throughout the organization.

As a business, Claremont Riding Academy had a unique niche, indeed a local monopoly as the only such institution in Manhattan. It was the only show in town for people who wanted to ride horses in Central Park, for well-off New Yorkers who lived near the park and wanted easy access to their horses, and for families living in Manhattan who wanted their children to learn to ride year round. This was a perfectly viable niche for a long time, until uncontrollable costs escalated and congestion in the park eroded demand. While Claremont supplemented its main sources of revenue by also engaging in other (related) market ventures (such as buying and selling horses) it had less of a competitive advantage in those enterprises. Manhattan residents or tourist carriage owners who wanted to buy a horse may have found Claremont convenient but they could go elsewhere as well.

Until market conditions deteriorated, there was not much need for the for-profit Claremont to engage in exploration of its market niche. Indeed, there was apparently some mistrust between the business and its customers. According to one source, some customers were skeptical of the quality of care that Claremont afforded its horses and the honesty of the bills charged to customers for boarding horses. But this mistrust had little impact on demand: "…their relationship to Novograd himself [the owner] was fraught with the kind of suspicion and hostility on both sides that is common to the traditional New York City landlord/tenant relationship. The boarders suspected Novograd of padding their bills, underfeeding their horses, and providing inadequate or incompetent care, while Novograd viewed the boarders as spoiled, greedy children, who made unreasonable demands and complained at the drop of a hat. At the same time, the boarders, however aggressive, could only complain so far – if you wanted to ride your horse, or even *his* horses, in Central Park, Novograd's was the only game in town, and that was that." (Korda, 2003, p.64). Given this situation, there was probably not much planning or internal dialogue or consideration about changing the business in order to ensure its viability. Niche finding and maintenance depended on the owner's vision and capacity to sense other business opportunities within the constraints of his expertise. Clearly as conditions changed, there was more pressure to find additional revenue opportunities. (According to its website, www.potomachorse.com/clarmont.htm, you can still buy Claremont tee shirts) But ultimately a business decision was made to close and to move the horses to other sites outside New York.

To an extent, successful niche exploration may have been precluded by Claremont's for-profit form. It did not have the various volunteer, professional and external stakeholders who might have enriched the exploration process. Moreover, the niche-possibilities were also limited to those which depended solely on market revenue, while a nonprofit could bring into play other foci and potential sources of support. This is not to say that Claremont as a business did not try to make a go of it and to maintain its historic facility. Indeed, as its website explains, Claremont worked hard to make its case publicly that it was trying its best to generate new revenues by leasing some of its vacant space and by brokering animals for appearances in the media (www.potomachorse.com/clarmont.htm). But it was apparently not in a position to engage much public support and it was facing huge opportunities costs (not to mention operating losses) because of the value of the land at its particular location.

As suggested earlier, the nonprofit Chastain had the greater opportunity of considering various public service oriented missions to create its niche as an educational, therapeutic or historic institution. During Chastain Stables' resurrection in the late 1990s, the new managers of the dilapidated stables found such a niche through dialogue with various current and potential stakeholders, including former customers, staff, community and governmental representatives, equestrian and therapeutic advocates, and the philanthropic community. The visionary leadership of president Amy Lance helped to move from ideas to a compelling concept and ultimately a viable business plan that elicited broad-based support. The nonprofit Chastain also engaged in some experimentation using philanthropic investment to test the new combinations of services over a trial period. The city offered a 20-year lease to the new management so that donors could be assured a social return on their investment, and it negotiated longer-term lease extensions with Lance following its initial years of operation (Finger 1998). Overall, the process was necessarily more open and transparent than the niche-finding of the for-profit Claremont, allowing potential stakeholders to develop sufficient trust in the new Chastain and a sense of ownership in its mission. In addition, the nonprofit form itself might very well have induced a greater sense of trust in Chastain than Claremont as a business was able to engender in its customers. (See Steinberg, 2006 for a review of trust-based theory of nonprofit organizations).

6. THE INNOVATION CHALLENGE

Most organizations must change their products, services and ways of operating from time to time, in order to maintain or improve their positions in a changing environment. Innovation often occurs in the face of competition for resources and service markets, but it can also be an intrinsic process driven by creative energy, imagination and the desire to break new ground for its own sake. While innovation is not a predictable process, and can come about both intentionally and serendipitously, there are various management strategies that can support or stimulate innovation. Organizations can stifle innovation through rigidity that precludes improvisational responses to problems and opportunities, or they can encourage improvisation and risk taking that lead to innovation. Internal communications can also stimulate or stifle innovation. Top down organizations, for example, often discourage lateral communications that can bring new ideas into play. Human resources policies also influence innovation. New people often bring fresh ideas, inducing the organization to do things differently or do different things. Moving people around an organization through a job rotation policy can have the same effect. Paradoxically, permitting (groups of) people to focus for long periods of time on particular tasks can also encourage innovation by leading to new levels of technical mastery and unanticipated increments in service quality or technique. For example, some of the very best chamber music ensembles have played together for decades, achieving unprecedented heights of precision and musicality. Finally, visionary leadership can contribute strongly to innovation – especially when new leadership brings an alternative vision to an organization that has previously been set in its ways.

As a business, Claremont Riding Academy could trace its lineage back hundreds if not thousands of years as the technology for caring for and riding horses hasn't changed dramatically in recent times. Tradition and nostalgia more than innovation were Claremont's driving forces since that is what distinguished this business in the marketplace and gave it its semi-monopoly power in Manhattan. Still, Claremont did have to innovate in various ways simply to stay in place in the ever more demanding environment of an urban metropolis. Creativity was needed to care for horses in a confined space, negotiate travel from the stables to the park, and supplement income to compensate for escalating costs and declining demand. But the for-profit Claremont was limited in the strategies it could bring to managing innovation. As a top down organization, it depended largely on the boss's vision and business acumen rather than internal staff dialogue, improvisation or turnover at the top. Specialization of staff and the small size of the organization would preclude much in the way of job rotation. Achieving high levels of technical mastery would depend on the ability of the organization to hold onto staff for long periods of time and allow them some leeway to experiment with new methods for teaching riding, maintaining horses or developing new programming.

The nonprofit Chastain, by contrast, has several features that promote innovation. In nonprofit form, there is intensive dialogue between board and staff, paid and volunteer workers, and professional staff with different interests in teaching, veterinary work, historical preservation, or recreational therapy. In this form there is likely to be more movement at the top as a diverse board reconsiders its executive leadership from time to time. This is illustrated by Chastain's shifting and adding of new management positions, despite low employee turnover. For example, while the founder Amy Lance maintains her position as President/CEO, an executive director, operations director, and other upper administrative staff have been added. With more stability and commitment at the professional staff level, innovation has played a large role in the organization, including refinement and experimentation with services, programs, management systems, events (fundraisers), and pricing. For instance, internet technology has been employed to recruit and schedule volunteers, peer to peer training for volunteers has been instituted, and changes have been made in the pricing structure to better accommodate therapeutic riding students.

7. THE EXCELLENCE CHALLENGE

Organizational excellence is an ill-defined concept that implies that an organization is in some way among the best in its class. There are at least two important aspects to this concept. First, what are the different ways in which an organization can excel? Second, what are the elements of maintaining excellence over some significant period of time? In music, for example, there are the "Andy Warhol" ensembles which achieve excellence in their fifteen minutes of fame and are never heard from again, and there are the long-lived ensembles such as the Guarneri Quartet or the Cleveland Orchestra which have maintained the highest quality of music over many decades (Young 2004).

In the first sense, excellence involves being the best at some important aspect of organizational performance whether that be exquisite coordination that yields a highly efficient or effective product, a strong motivational program that makes an organization a great place to work, a unique niche in which the organization performs a service like no other, or a reputation for innovation that puts the organization at the cutting edge of its field. Note that in this sense, organizational excellence does not require superiority in addressing all the challenges of management, just some of them in any given period of time.

In the second sense of organizational excellence, however, weaknesses in meeting one challenge or another can lead to deterioration over time. Thus, to maintain organizational excellence requires vigilance and the ability to evaluate performance and adjust to slippages as well as changes in external conditions. This challenge of *evaluation and adaptation* itself can be addressed with a variety of management strategies. Plans and procedures can be put in place to periodically tabulate and report on key indicators and benchmarks. Incentives can be created to reward staff for good performance or penalize them for poor work. Mechanisms for dialogue can be implemented to ensure that organizational performance is reviewed and discussed on a regular basis. Educational programs can be put in place to allow members of the organization to maintain and improve their skills and stay abreast of state of the art methods. Drills can be held to perfect important tasks, functions or activities that may not be regularly performed. And organizational leadership can inspire people to do their best and make them proud of the organization's work.

As a business, Claremont Riding Academy achieved organizational excellence at least in a limited way. It was the best (and only surviving!) riding academy in Manhattan, it did manage to stay in business for a long time under difficult conditions, and it preserved an historic property for posterity (or at least until 2007). As an organization in the urban horse business, its longevity for more than a century was certainly remarkable. Its portfolio of methods for achieving and maintaining excellence was necessarily limited, however. Its survival in a unique niche was due largely to the business judgment of the ownership which did whatever it needed to do to survive and make a profit, and perhaps incentives to ensure that its personnel were working hard. Ultimately, demand for its services was probably price and quality inelastic and exploited to maximum advantage to compensate for other demand-reducing factors beyond its control. So too, costs were probably minimized, even at the expense of quality, just to keep afloat. And additional business opportunities in the form of sales of horses, souvenirs and other services were explored and exploited as well. It is not clear, however, that Claremont ever became a "learning organization" (Senge, 1990) in the sense of instituting mechanisms to anticipate and detect future problems and preempt them as they developed. This would have required greater communication with both staff and external stakeholders and engaging them in a creative process to save the business, a process that would have been unusual for even a public corporation, much less a closely held private business. It might also have required a professional upgrading of staff to a level that could contribute to long term planning and adaptation, an unlikely undertaking for a small business flirting with red ink.

As a nonprofit organization Chastain necessarily takes a different approach to organizational excellence. First, it measures its success not just financially but in terms of a social mission that it must specify and justify. Coincidentally, Chastain also has to define its success relative to a different set of peer organizations, not just other horse businesses. Depending on its mission adjustment, its benchmarks might be specified relative to institutions of therapeutic riding, youth development, or historical preservation. For Chastain, success is measured in terms of having a highly professional, certified staff, beyond accreditation in specialized equestrian training; retaining intelligent people with specialized skill-sets in positions throughout the organization that willingly and deftly contribute to a team approach to management; providing high quality services and program expansion over time; and remaining durably solvent and sustainable.

Compared to a for-profit, such as Claremont, the nonprofit Chastain also has a wider array of strategies available for achieving excellence, including vehicles for communication among various stakeholder groups including clients, community representatives, funding institutions, professional staff and volunteers. The potentials for inspirational leadership are broad as well, with room for articulation of a variety of visionary directions, potentially supported with different combinations of earned, contributed and governmentally-provided income. Moreover, nonprofit leadership at Chastain places a heavy emphasis on staff and volunteer education, and inspires dedication of the workforce by appealing to mission. The potential for aggressive use of financial incentives to achieve or maintain excellence is muted in the nonprofit context, but greater leeway for intangible rewards and recognition can compensate for those limitations.

CONCLUSION

Comparison of the Claremont Riding Academy and the Chastain Horse Park offers a limited but informative perspective on the differences in management between nonprofit and for-profit organizations. Nonetheless, even in this limited context, a considerable degree of difference emerges. The metaphor of musical ensembles that we have employed to identify the challenges and strategies of management has been helpful in highlighting these differences. If Claremont as a for-profit business was a Pops orchestra playing oldies but goodies that people in sufficient numbers would pay to hear played, then a nonprofit Chastain is more like a community chamber orchestra providing opportunities for local professional, retired and amateur musicians to play what they and the community can mutually agree upon and engaging in whatever fund raising and promotional activities are available to keep the organization going. The latter results in the provision of a mixture of public and private goods in the form of entertainment, education and community benefit.

In Claremont, strategies for coordination, motivation, niche finding, innovation and achieving and maintaining excellence are tied closely to market success and the business acumen of ownership. In the Chastain case, they are tied to an implicit consensual contract among the various stakeholders who must at some level agree on mission, sources of support, indicators of success, and rewards of participation.

Nonprofit status is not a solution for reviving a failed business. But in some circumstances a failed business has social merits that go beyond the marketplace and which might form the basis of a successful nonprofit organization that follows a different set of organizational strategies and rules of engagement. One can only speculate whether Claremont Riding Academy could have met that standard. But Chastain represents a reasonable model that Claremont might have emulated.

Finally, the focus here on organizations in transition has proven to be an interesting window on the differences in management challenges among sectors. Relatively little research has focused on such transitions, probably because they are not easy to identify or document. But they can be revealing. One can speculate that successful sector transitions occur where the identity of an organization no longer fits well with the legal structure in which it is bound (see Legoretta and Young, 1986). In this view, a sector transition can relieve a problematic situation. For example, the nonprofit organizational structure can sometimes mask "for-profits in disguise" whose leaders are trying to exploit the nonprofit form for personal gain (Weisbrod, 1998). In such situations, a transition would protect the reputations of other nonprofits which could be tarred by criticism of the bad apple in the barrel. Alternatively, there are for-profit organizations, sometimes calling themselves "social enterprises," that strongly incorporate social objectives, even to the point of becoming "nonprofits in disguise" (Young, 2001). When such an organization finds it difficult to survive in for-profit form a sector transition can also be beneficial. The identity of the Claremont Riding Academy seems more like a business trying to survive as a business, rather than a nonprofit trying to come out of its business closet. As a result, no attempt was actually made to preserve the organization through a sectoral change and all that that would have entailed in terms of management functions and challenges. Nonetheless, it is interesting to speculate whether, with appropriate compensation for the owners and a change of mission-focus, leadership, and management strategy, Claremont might have survived and prospered as a nonprofit much like Chastain.

Future research might very well focus productively on sector transitions, actual or speculated. The stories associated with organizations of various sizes, in different fields of service, or in different stages of development, are likely to differ. The appropriate musical metaphors would vary accordingly, as would the corresponding strategies for addressing management challenges. But it seems clear that sector change in whatever circumstances will reveal fundamental differences in the manner of successful operation of for-profit and nonprofit organizations.

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