Social enterprise in Antebellum America: the case of Nashoba (1824-1829)

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Abstract

Purpose – This paper examines the case of Nashoba, a Tennessee-based social enterprise founded in 1824 by Scottish immigrant Frances Wright. The Nashoba venture intended to diminish the institution of slavery in the USA through entrepreneurial activity over its five years of operation.

Design/methodology/approach – This study methodology entailed mining primary source data from Wright's letters; communications with her cofounders and contemporaries; and documentations of enterprise operations. The authors examined these data using social enterprise theory with a focus on personal identity and time-laden empirical aspects not captured by traditional methodologies.

Findings – The social enterprise concept of a single, self-sustaining model generating more than one denomination of value in a blended form has a deeper history than the literature acknowledges. As an entrepreneur, Wright made strategic decisions in a context of supply-side and demand-side threats to the venture. The social enterprise engaged injustice by going beyond market and state contexts to generate impact in the realms of institutions and non-excludable public goods.

Research limitations/implications – This study generates two formal implications for the development of new research questions in social enterprise studies. The first implication addresses the relation between social entrepreneurs and their constituencies. The second implication pertains to

the effects of macro-level education, awareness and politics on social enterprise performance and impact. The implications herald new insights in social enterprise, such as the limits of moral conviction and the importance of social disruption.

Originality/value – This paper broadens the current understanding of how social enterprises redress unjust and unethical institutions. It also contributes new insights into social enterprise launch and growth based on shared values within communities and coordinated strategic intentions across communities.

Keywords USA, Social entrepreneurship

Paper type Research paper

> Speak of change, and the world is in alarm. But where do we not see change? What is there in the physical world but change? And what would there be in the moral world without change? [– Frances Wright, Founder of Nashoba, (Independence Day speech at New Harmony, Indiana, 4 July 1828)]

Before and after the War of 1812 between the USA and the UK, and during the decades prior to the US Civil War (1861-1865), various community-based abolitionist movements against the institution of slavery emerged in America. Such movements, emerging especially during the antebellum period (i.e. the decades leading up to the Civil War), sprung from communities of likeminded individuals and were mostly small and informal. However, the antebellum era saw the emergence of some larger and more general social movements that formed communities such as Shakers, New Harmony and Oneida whose histories remain evident today in American towns and business organizations. In the early nineteenth-century America, the majority of such movements exhibited a tendency to become impassioned and socially-purposeful. Many of them evolved into quasi-religious organizations. The community-based focus of these social movements often featured entrepreneurial aspects, such as redressing injustice and challenging established institutions by generating products and services for customers. In the early 1800s, as US society was defining itself culturally along such lines, ventures addressing issues involving non-excludable public goods such as natural resources, communication channels, and unalienable rights were important elements of society.

The injustice of slavery that was instituted in the USA during the eighteenth and nineteenth centuries was particularly discordant alongside the democratic justice themes espoused by a society that so valued freedom and liberty. A range of Protestant and Calvinist denominations, largely hailing from the UK and France, as well as their US-based offshoots, denounced the institution of slavery during these years, even though the religious tenets of these communities varied. The opposition of these religious communities against the institution of slavery stimulated passionate movements within them and competition among them.

In addition to the religious communities, Enlightenment philosophy offered a rational approach to eliminating slavery. Its proponents were mostly scholars from the UK and France, who argued for the abolishment of slavery in the same humanistic terms of equality and liberty articulated rationally by the US Constitution. European immigrants who subscribed to these philosophical ideals, like the female immigrant whom we examine in this paper, found slavery to be an abhorrent institution and an immoral practice. Such individuals traveled the US with the intent to participate in the abolitionist movement against it. Indeed, by the 1800s, it was not uncommon for ambitious, educated young Europeans to immigrate to America. These immigrants had not yet established careers in Europe and they subscribed to the ideals of Enlightenment philosophy. For them, the young

American nation presented exciting opportunities to make positive social impact and establish themselves.

A survey of the political climate around the institution of slavery during the early-middle 1800s reveals a complex and dynamic social context. Slavery was formally institutionalized, but informally it was regarded as an undesirable institution in many parts of the country. A century of activism against chattel slavery, which regarded human beings as personal property, had begun to have an effect on state and federal-level lawmaking. A key inflection point occurred when legislation passed in May 1820. Known as the Missouri Compromise, this act permitted chattel slavery in the new state of Missouri and also Arkansas, but outlawed slavery in most of the USA, including the Missouri Territory. That territory, at the time, extended north and west from the state of Missouri into an enormous sweeping geographic area and included much of the Great Plains. This entire area was previously part of the so-called Louisiana Territory that existed before Louisiana gained statehood in 1803.

These geopolitical developments paralleled the changes that were occurring in the realm of commerce. Together, the flux generated an enormous influence on the institution of slavery in the USA. Booming global demand for cotton, as an example, dampened the Missouri Compromise's positive move against slavery because market demand magnified the need for cheap, manual agricultural work. From a business and management history perspective, the institution of slavery was instrumental to the Industrial Revolution and its production needs on an international scale. Indeed, the Atlantic slave trade took the form of international supply chain relationships between the USA; Western European countries such as England, France, The Netherlands and Portugal; and a diverse range of African regions and kingdoms. On a local scale, especially in the southern USA, the resulting balance of evolving supply-chain forces marked the beginning of decades of irreconcilable and fractious political battles that were not resolved until after the Civil War. Yet, the religious communities and social movements mentioned above, which intended to abolish slavery, persisted in their attempts and were unaffected by purely economic concerns. They protested on ethical bases using informal means against the institution of slavery and its formal and powerful economic position. Like social entrepreneurs, the abolitionists took strategic risks, engaged uncertainties, marshalled resources creatively and secretly, and challenged established orders (Klein and Klein, 1999, pp. 103-129).

Social entrepreneurs are market actors who address major social problems with growth-oriented, economically self-sustainable venture activities. The inefficiencies that social entrepreneurs target are almost always ethically laden, often entailing human values such as freedom and equality. The contexts in which social enterprises emerge and exist are commonly discontinuous, disharmonious, and amenable to community-based activism. Like most entrepreneurial ventures, many social enterprises fail. The historic context and the communities and ventures introduced above, to be sure, have such characteristics. Indeed, many social enterprises emerged during this era.

Social enterprise activity and social movements can occur almost naturally when human values are affronted and ethics are at stake (Murphy and Coye, 2013). History shows this basic impulse exists even in settings that are far removed from the business and market settings of contemporary research. We are interested in understanding how social entrepreneurs and their ventures perform when they seek to redress deep and ethically laden social problems such as slavery. In particular, we address two research questions from a historical perspective. First, we seek to identify when individual moral conviction and passion can become debilitative to a social entrepreneur's effectiveness. Second, we examine how and when external social and political forces can threaten a social enterprise's operational model.

We examine a historic social enterprise called *Nashoba*, which existed in the state of Tennessee in the 1820s. Its founder was Frances Wright, a female immigrant from Scotland. Wright and her partners directly challenged the institution of slavery with their social enterprise. Our examination of the case not only reveals linkages from current social enterprise research but also offers some unique insights. For instance, Nashoba challenged a large oppressive social institution that benefited from mandates that were lawful yet unethical. As the institution of slavery has been abolished since Wright's time, our historical perspective facilitates an objective purview as we are not subject to the social context we are seeking to explain. However, the implications of this kind research are highly relevant to social enterprises of today, for they also target unjust institutions that will eventually be abolished.

Defining social enterprise

Social enterprise activity often has a transcendent quality. Social enterprises can cross boundaries and stimulate amendments to government policy (Bernier and Hafsi, 2007). They can emerge from markets yet shape sociocultural values pertaining to racism or discrimination (Allinson, 1998). Yet, social enterprises also incur costs and make strategic decisions. Double and triple bottom-line performance across these realms often involves challenging the status quo. For social enterprises, opportunities and threats exist in society just like they exist in markets (Edwards *et al.*, 2006; Klein *et al.*, 2010).

One of the most important questions in social enterprise research considers which social problems are handled more effectively by social enterprises than by the state. The primary advantage of social enterprises is its customized value creation that can be made to suit specific communities. The advantage is greater adaptability and local impact, which are not possible with a large and formal state apparatus. State-based solutions have the power to address social issues quickly, but at the expense of capacity for customized offerings. Therefore, a more entrepreneurial approach to social problems has been cited for centuries as a means to promote collective action and strengthen communities, especially when profits are bounded by what is necessary to balance costs (Murphy *et al.*, 2006; Nwankwo *et al.*, 2007; Pompe, 2013).

Social enterprises have deep connections with the specific communities they intend to serve, and they perform best when they reflect the cultural values of the community in question (Rindova *et al.*, 2009). Community is important to social enterprise because the problems social enterprises redress are not fully germane to industrial organizational contexts (Cornelius *et al.*, 2007). As such, community-oriented action is a means for social enterprises to transcend traditional industrial/organizational boundaries. When a social enterprise has intimate ties to a community, it redefines those traditional boundaries. Community embeddedness mollifies the tradeoff between social and economic objectives that many social enterprises must navigate (McCarthy and Zald, 1977).

Our study drew directly from primary-source biographical and autobiographical accounts, using those data to understand the context-laden issues facing Wright and the Nashoba venture. In this way, we were able to identify aspects of identity and sense-making that are important to entrepreneurial cases but usually elude traditional empirical approaches (Blake *et al.*, 2015). These kinds of data are superior to cross-sectional or experimental methodologies that fail to account for the temporal and growth-oriented aspects of entrepreneurial actions (Short *et al.*, 2010). On these grounds, our methodological approach captured the thought processes, decisions and actions of Wright, her co-founders and constituents of the Nashoba enterprise.

Frances wright and Nashoba

In the early 1800s, abolitionist movements and entrepreneurial activity in the USA reflected a larger context of conflict between the nation and the states. Among the most prurient issues were tax and regulatory policies, which were leading to an increasing number of formal protest events. In the context of US history, the turmoil was intense. For example, in 1832, the state of South Carolina defied the federal government and attempted to secede from the union. Part of the reason the unrest was so substantial during this era is that the policies in question clashed with shared values that were definitive to US culture. The social conflicts of the antebellum years were regrettable, but they did create potential for change. On these grounds – guided by values in a context of turmoil – some individuals saw entrepreneurial opportunities (Figure 1).

Note: By unknown portraitist, 1835 [Public domain], via Wikimedia Commons

Figure 1.
Pencil sketch of
Frances Wright,
anonymous, dated
1835

Frances Wright was born in Dundee, Scotland on September 6, 1795. She was the daughter of James Wright and Camilla Campbell Wright. Her father was a tradesman and a linen merchant, and her mother was the daughter of a British General named Duncan Campbell. Her parents died when she was three years old, which left her and her siblings to be raised by relatives. Being raised by different sets of relatives with dramatically different worldviews had a profound effect on the Wright siblings. Wright and her sister Camilla were raised by General Campbell and his daughter (also named Frances Wright). They lived in Devonshire County in Dawlish Parish of Southern England. Wright's brother was raised nearby by their great Aunt (Campbell's sister) and her family. During these early years, Wright's life entailed a measure of social status, and she had access to formal education (Eckhardt, 1984; Lane, 1972).

In her early teenage years, Wright displayed an atypically deep compassion for the poor and also for animals. In her diary, she explicitly pondered over the existence of rich and poor people and wondered why some were fortunate and others were unfortunate (Wright, 1844). Her family did not always agree with her views, and they did not appreciate her inquiries about such topics. Her grandfather, for example, is reported to have told her that poor people are lazy, and that is why they lacked money and property. Wright struggled to reconcile such evaluations with her worldview, but she failed. In failing, she forged her own beliefs about poor people deserving access to education. However, she herself had little opportunity to act on her social beliefs, which is why she channeled those beliefs into her writings. The habit of writing and eventually speaking about her worldview was forged at a young age, and it would stay with her for life.

As a young woman, Wright wrote dramatic verses based on fictional characters and completed full-length essays. Her grandfather regularly offered counterpoints to her inclinations, and he warned her that such academic pursuits would lead her to poverty. His counsel and his influence on Wright produced the opposite effect, however, generating a fierce moral conviction in Wright. Over a period of years, it began to generate tension in the family. The tension eventually devolved into a mutual resentment in which Wright earned a reputation for being self-opinionated and argumentative. On the other hand, she viewed her family as unpleasant and elitist. In 1811, at age eighteen, Wright and her sister left the home of General Campbell. They moved into the home of their great uncle James Milne.

Milne was a philosophy professor and proponent of the philosophical ideas of the Enlightenment (Lane, 1972). The Milne household was quite different from the Campbell household, and it transformed her worldview. She spent hundreds of hours in Milne's library, perusing its volumes. She had formative experiences reading Epicurus. She especially enjoyed works by Enlightenment scholars Bentham and Voltaire, and she discussed their ideas with Milne. Her writing evolved commensurately into Socratic-type dialogues, to express and develop her social utilitarian values. Works by scholars such as Tocqueville instilled in her a whimsical but grand view of America, a place she had not visited.

Wright's compassion evolved into moral convictions about liberty and equality. She began to recognize these values in elements of European society. She developed a love for the theatre. John Philip Kemble's stage version of Shakespeare's *Coriolanus* had a profound effect on her thinking. Seeing theatre as a medium for promoting education and awareness, Wright drafted a stage production entitled *Altorf*. It was inspired by the struggles of the Swiss states against Austrian expansion. She even sent the manuscript to Kemble. The theatre manager returned it to her without comment.

Another early influence on Wright was a deep friendship with Rahbina Millar. Significantly older than Wright, Millar had spent two years in America with her husband in

political exile. Her descriptions of the young nation and its enormous potential for social development excited Wright. In her early twenties, these kinds of experiences and relationships instilled in Wright a set of personal values based on humanitarianism and compassion for the disadvantaged. With her formal education, she also had the competence and ability to formulate solutions to ethical issues in society.

With both financial support from Milne and letters of introduction from Millar, Wright and her sister traveled to America in 1818. It was life-changing for them. Their experiences and observations in Philadelphia and New York inspired Wright to author a book, *Views of Society and Manners in America* (1821). It became a popular book in Europe. It was a tribute to American freedom, but it also expressed an explicit abhorrence of slavery. From her perspective, such an institution did not belong in a society that valued freedom.

Throughout her career, she sought opportunities to deliver speeches and lectures on this theme in Europe and in America. A quote from her Independence Day speech at New Harmony on July 4, 1828, appears as this paper's epigraph. That particular speech is widely regarded as the first major public address in the USA to be delivered by a woman. It was delivered while she was leading the social enterprise examined in this paper. Wright's message was always critically constructive, which enhanced her reception and frustrated detractors who preferred establishment traditions. At New York's Hall of Science in May 1830 (Wright D'Arusmont, 1972), she exclaimed:

> We see the energy inherent in the national character, inspiring noblest resolves, preferring and defending true principles and wise institutions, resisting oppression, distinguishing false counsel, rejecting blind rulers, and uniting, round the altar of a common country, conflicting parties, private enemies, and political disputants. Thus, has the energy of the American people, when wisely directed, sufficed for their protection and advancement.

Wright's gained a mild infamy as she became more provocative with regard to the institution of slavery. Passages like the one quoted above where often followed immediately by sharply critical admonitions (Wright D'Arusmont, 1972, p. 25):

> While but one drop of colored blood shall stamp a fellow creature for a slave, or, at the least, degrade him below sympathy; and while one half of the whole population is left in civil bondage and, as it were, sentenced to mental imbecility.

Wright effectively used two essential ingredients of social justice movements: relative disadvantage and deprivation (Walker and Smith, 2002) and self-identification with a specific constituency (Tajfel, 1978). Her constructive, critical-rationalist message came across as authentic, and it earned her the reputation of one who was not only disruptive but also perfectly comfortable speaking truth to power.

By the early 1820s, Wright's message had begun resonated with communities that carried similar views in the USA and also in Europe. Social reformers such as Marquis de Lafayette (1757-1834), whom she had met in Paris, became her ally. Lafayette hailed from the very time and place that produced the formal concept of entrepreneurship (Murphy *et al.*, 2006). He directly influenced Wright's conceptualization of social enterprise as a means of social impact (Palmer, 1973). At this point, however, Wright could only dream of challenging the American system. She needed more time. For the next three years, her focus intensified and she interacted with affinity groups and developed her ideas. Thanks to LaFayette, when another chance to visit America came along in 1824, Wright recognized an entrepreneurial opportunity.

Lafayette was French but was also an American citizen. He had led the US National Guard in the early stages of the Revolutionary War and served in the US Army under George Washington. He was well-known in the US. LaFayette had inherited a sizable

fortune in France but, by the 1820s, had spent most of it and was no longer wealthy. Nonetheless, he was invited to undertake a farewell tour of all 24 states in celebration of America's upcoming fiftieth anniversary. Wright, who had become a protégé of Lafayette at this point, requested permission to accompany him and to bring along her sister Camilla.

On this trip, Wright met Andrew Jackson and James Madison. She also visited Monticello, the home of Thomas Jefferson, with whom she discussed gender discrimination and slavery. Jefferson was already a former US President. As an educated man, he understood Wright's perspective and found it personally agreeable, despite the industrial aspects of national development. She shared her moral convictions with Jefferson, and he did not disagree with her when she posited that the phrase "all men are created equal" does not exclude women.

What Wright did not understand was the full and unpleasant political reality of industrialization and its effect on certain social aspects of American life at the time. As she educated herself about the larger context in which she was embedded, Lafayette's teachings about entrepreneurial activity began to resonate with her. Her notion of an enterprise with commercial operations and a social mission began to form very quickly. When Lafayette returned to Paris one year later, Wright and Camilla did not go with him. They had already begun working on a social enterprise that intended to redress the institution of slavery with a novel commercial approach.

The Nashoba enterprise

Before detailing the venture's operational model, let us examine some more of the historic context in which this enterprise was embedded. It is important to understand that at this point in American history, several constituencies had unconventional values against slavery and had worked passionately for the freedom for enslaved peoples in the form of social and community movements. Wright subscribed strongly to these ideals, but her approach was different because it was more aligned with commercial activity. Several of these communities provided Wright with social and economic resources.

Awareness of the new venture spread quickly because Wright was leading an enterprise at time when women could not serve as public leaders. It was disruptive and controversial. This kind of bold action reflected Wright's highly personal moral conviction. In other words, in addition to its intention to promote justice for enslaved persons, Wright's venture championed the notion a woman could lead a venture as well as a man could. Many people saw the enterprise as idealistic, but its peculiarities outran those perceptions. The effect was disruptive, and it generated awareness and support (Follis, 1982).

Moral conviction and social disruption. Wright believed in American exceptionalism. She thought that American society, unlike European society, was uniquely able to "afford individuals and groups fair treatment and an impartial share of the benefits of society" (Reed, 2010). Whereas other great civilizations of history had rose and fell, she believed that America tapped into certain essential human values in unique ways that would ensure its sustainability. She articulated these beliefs as justification for her optimism about her venture's success. As if dealing with non-excludable public goods, Wright intended to shift existing institutions by dealing in a resource that was theoretically available to all US citizens (Eckhardt, 1984). Wright's supporters believed that Wright's moral convictions were radical and feasible, despite her idealism. Intense moral conviction was a key part of her leadership style. She believed that "reform, that is, wise and lasting change, can only be wrought by conviction" (Follis, 1982, p. 218).

Wright believed that sociocultural change required social disruption. Her strategy for achieving such disruption focused on a contradiction in US society. The institution of

slavery was "the most atrocious of all the sins that deface the annals of modern history" (Wright, 1963, p. 26). Therefore, Wright explained that it had no place in a society that defined itself in terms of justice and freedom. Americans deserved control over their own destinies. As she had done in Europe, she praised American society yet criticized the elements of it that her enterprise intended to destroy. The message became more refined based on the proper deportment of the public goods that were available to Americans as resources. For instance, she held that the free press enjoyed a right to freedom while evading the responsibility to society that came with it. She also criticized the free press as a male-centered institution that excluded women. Wright had a wide-ranging sense of the opportunities available to Americans that could also serve as denominations of value in a social enterprise context (Bederman, 2005).

In these ways, Wright challenged gender discrimination as well as slavery. She saw both problems as forms of sociocultural neglect that drove dependencies. She wrote, "justice could come only when [men and women] exert equal influences in a state of equal independence" (Marshall, 1970, p. 180). Her moral convictions were disruptive because they stimulated supporters and mobilized her constituency, which threatened certain established elements of society.

Enterprise design. In 1824, based on their experiences and education, Wright and Camilla designed a novel plantation model that focused preparation for entry into society. The model used earned income from products and services to cover its costs. They discovered that the talent and labor necessary to manage the operation could be acquired from existing traditional plantations. Before the Civil War, it was common for plantations to sell slaves. Once Wright realized that the cost of purchasing a slave's freedom could be treated as an operational cost, her social enterprise was born. It was a novel operational model. Her constituents made money selling agricultural products and services to cover the cost of their own freedom. It only required that the revenues would cover costs with accounting that covered each individual. It also had social enterprise aspects. By the time an individual's costs were covered, they would have received education and training, perhaps started a family, and could then enjoy their unalienable right to liberty as a member of American society.

Wright called the enterprise *Nashoba*. It was located in Tennessee on the banks of the Wolf River, at today's Germantown, near Memphis. They chose this site based on input from Andrew Jackson concerning the presence of plantations and also the regulatory environment in Tennessee. It was a relatively liberal state regarding slavery and had multiple communities that shared Nashoba's values (Bederman, 2005). It also had large areas of public land that could accommodate the growth of the Nashoba's agricultural operations.

The venture's name derived from its location. Because the property was adjacent to the Wolf River, they used local indigenous community's (Choctaw) word for wolf: Nashoba. The name also had larger significance. The Choctaw nation was one of the few indigenous communities that had allied with the USA against the British in the War of 1812. Like a wolf, the venture's mode of operation was to aggressively and stealthily seek opportunities to achieve its mission, which was to free enslaved people and debilitate the practice of slavery. For Wright, the practice of slavery reflected the most abominable type of social injustice. Nashoba was launched to challenge the institution that perpetuated this injustice via economic and sociocultural means. She invested her entire inheritance of $10,000 in Nashoba (Wright, 1827).

The operational details of educating and employing freed people in the context of a revenue model became clearer to Wright with experience. Shortly before launching the

venture, she and her team realized that they did not have the funds to purchase all the supplies and complete the new constructions required for launch. Therefore, she scheduled meetings and traveled to pitch the venture to potential investors. Wright had written an essay, "A Plan for the Gradual Abolition of Slavery in the USA without Danger of Loss to the Citizens of the South". It functioned as Nashoba's charter and became the historic equivalent of a social enterprise pitch deck or business plan. She sent the essay to Congress with a request for funding, but it received little response attention because the enterprise lacked a clear production function. To individuals outside Nashoba's constituency, especially those with a purely economic perspective, the model was radically novel and seemed too risky.

With no support from the US Congress, Wright traveled to Washington DC to meet with as many national leaders as possible. While there, she had a chance meeting with Robert Owen. Owen had progressive ideas about liberty and equality. His moral convictions and his passion were similar to hers. He was also a European immigrant (from Wales) who had been inspired by Jeremy Bentham. He was 24 years senior to Wright and had significant commercial experience. Owen was in Washington for similar reasons. He was promoting detailed plans for a similar idea in Indiana called New Harmony. Somewhat more idealistic than Wright's venture, New Harmony intended to be a utopian community. Owen had already had an experience similar Wright's with the congress, which could have influenced their reaction to Nashoba.

Unlike Wright, however, Owen described New Harmony with a very concise pitch: "It was a half-way house between the old and the new". The pitch implied a transitional model for society. His objective was more general, and it entailed "deposing an ignorant, selfish system" and embracing a "new and enlightened social system" that was "in harmony" with commercial and social human interests (Bederman, 2005). Owen's vision inspired Wright. His plan informed hers. She suddenly saw new ways to put her moral convictions into an organizational context. Aspects of Owen's operational model influenced her planning. She immediately added more details and accounting to her plan for a social enterprise including cotton farming and revenue generation via the sale of cotton and cotton-based products (Stiller, 1972).

Nashoba now featured a self-sustaining operational model and intended to be socially disruptive (Crawley, 2007). It largely replicated Owen's cooperative labor commune model but, whereas New Harmony included town citizens as members, Nashoba included post-buyback freed slaves as members. Nashoba's agricultural production supported the purchases of each individual's freedom. These transactions were known at the time as "buybacks." Their prices reflected market rates. Nashoba's model assumed that the employment of a freed individual would generate financial value over time to offset the cost associated with the buyback. It was amenable to market forces because buyback prices tended to correlate with cotton prices. The numbers added up on both sides of the balance sheet. As such, Nashoba was a social enterprise.

Nashoba was also entrepreneurial. According to the plan, its growth model benefited from an economy of scale in that the more post-buyback freed slaves it was able to employ, the easier it was to cover its costs. The impact of the social value it generated was denominated in terms of the numbers of freed individuals and gainful employment. Even though Nashoba intended to destroy the institution the buybacks represented, it abided by institutional parameters as buybacks were legal and legitimate transactions. With the venture described more specifically, the objective became clear to supporters. Wright eventually raised enough money in Washington DC to cover the initial fixed costs of launching the venture.

Enterprise launch and growth. Nashoba was revolutionary. It suited Wright's progressive idealism and preference for bold and radical plans. Its core business concept was based on an expected five-year period required to finance a buyback. During those five years, constituents would receive wages, gainful employment, education, social experiences, intellectual training and industrial apprenticeships to prepare for freedom. The plan was to start small and achieve viability by building the venture to scale via organic growth. Operational effectiveness was intended to improve over time to allow shorter buyback periods via adaptation based on experience. Wright believed Nashoba would flourish in America's entrepreneurial society and eliminate slavery.

Nashoba launched formally in 1825. By that point, the venture had public support and was attracting new constituents. Andrew Jackson, who had been a supporter in private, was the incoming US President and now pledged public support. George Flower, one of New Harmony's leaders, moved to Nashoba to manage cooperative labor activities. Flower became Wright's equal partner. That Autumn, Nashoba executed buybacks for ten individuals. The buybacks included six men and four women and the prices ranged from $400 to $500 which, at the time, was not inexpensive (Wright D'Arusmont, 1972). These purchases were the enterprise's first operational transactions and their completion required assistance from Andrew Jackson. Nashoba also purchased 320 acres of land for $480 and built two log cabins on that property. A water well was dug and plots of land were cleared next to the Wolf River. Flower hired several staff members to support operations. In 1826, growth continued and Nashoba purchased an adjacent 640 acres.

Nashoba received public pronouncements of support from Jackson, Jefferson and other iconic figures in US politics (Madison, 1865). Such politicians had interest in the utopian aspects of Nashoba. They enjoyed see the attempts to apply utopian ideals to American life. It gave them something to communicate to their constituencies and the general population. For Nashoba, its core operation continued to reflect the original enterprise charter that was articulated in Wright's essay (Bederman, 2005). However, as quickly as the political support had come to Nashoba, Wright knew from Lafayette that it could erode. She regarded political support of Nashoba as a dubious ally at best and, indeed, it was not very long before this political support showed its true nature.

Dubious support and strategic missteps. Some macro-level trends concealed subtle threats to Nashoba's operational model. Although Wright and Owen understood the local environment, their perspective on how the national and international environments influenced US society was provincial. This limited perspective led to some strategic missteps. For example, Wright believed that non-support from Congress would transform into formal support as Nashoba grew. But this belief erroneously conflated economic value with social value. For politicians, social impact was less important than economic impact. For Wright, it was the opposite. When it came to the economics of the enterprise, politicians were little more than "fair weather friends". They supported the mission of the enterprise in principle, which had accounted for their one-time early investments. Supporting its economic viability in practice was a different matter, however, and the overall result was non-support over time as Nashoba failed to navigate national and international environments.

From a purely economic purview, Nashoba's operational aspects were held back by its longer term social aspects. The venture could make more money by saving time, if only its social mission did not require the education of its constituents. This operational inefficiency led Madison to become publicly critical of enterprises like Nashoba when appealing to cotton farmers. He shared Nashoba's values, but the political reality in which he functioned was embedded in the relative power of the states versus the federal government, the nation's

financial system and the influence of international cotton markets. Nashoba's mission aligned perfectly with political views reflected in the US Constitution and Bill of Rights, whereas its operational model clashed with them.

Among the more damning supply-side threats to Nashoba's operational model was the falling cost of cotton production due to industrialization. Textile mills, a product of the industrial revolution, increased the supply of cotton products entering the markets and decreased the time needed to produce them. Further up the supply chain, this same threat served to stimulate demand and increase the cost of labor undertaken by Nashoba's constituency. From the perspective of Nashoba's operations, both of these effects were negative. A range of perspectives regarding the unethical aspects of slavery across the American market-based economy compounded the problem further. It would be hard for anyone to undertake financial planning in such a context, and, like most entrepreneurs, Wright's financial projections were far too optimistic. She and her partners budgeted $40,000 to buy property, construct housing and purchase equipment. The figure was not nearly enough. They assumed that Nashoba would generate $10,000 per year based on cotton sales but were ultimately frustrated by declining cotton prices. Another supply-side threat derived from the property that Nashoba had purchased. The 640 acres had never been farmed. Contrary to expectations, the property did not have much fertile soil.

The supporters of Nashoba were growing in number. They were attracted to the mission, but ultimately frustrated by the venture's capacity problems because the land would not produce the required yields. Thus, revenues fell as costs increased. By 1828, the venture was insolvent, but it did not cripple the enterprise because local community support persisted. Eventually, this support dwindled too, based on negative perceptions of the enterprise's feasibility. As negative perceptions of its viability spread, donations and revenues continued to fall. Nashoba's last gift was $550 from a Quaker family in New York.

These economic troubles began damage perceptions of Nashoba's social mission. It started with the enterprise's own constituents. Wright expected freed slaves to join Nashoba as readily as citizens had joined New Harmony. However, the constituency valued personal redemption and practical education differently. The problem manifested itself as a failure to serve the market. Many constituents had difficulty committing to a public endeavor that boldly questioned an institution explicitly organized against them. They did not always feel safe from those elements of society that supported the institution of slavery. Therefore, whereas Nashoba did generate social value in the form of freedom for constituents via buybacks, its revenue-generating and educational operations were deficient. These social operations were an explicit part of the mission, and this activity attracted supporters. Nashoba provided freedom to over 400 individuals, but only half of them incurred the educational outcomes required to fully enter society that Wright described in Nashoba's charter.

By 1827, as operational problems persisted, Nashoba's leadership team began to experience internal friction. As a result, Flower moved to Illinois. An exhausted Wright contracted malaria and went to Europe for treatment. She delegated her responsibilities to Camilla, but it was an informal arrangement, as there were no contingency plans. Camilla's moral convictions were no match for Wright's, had she had a negative effect on operational effectiveness during Wright's absence. The Nashoba enterprise began to fail.

The enterprise's failure did not occur quickly and immediately. Staff members began to resign slowly, and many of them moved to New Harmony (Payne-Gaposchkin, 1975). These staff members were still committed to Nashoba's purpose, and the overlapping missions between New Harmony and Nashoba stimulated talk of a strategic alliance between the two enterprises (Egerton, 1977). However, what eventually happened was a restructuring of

Nashoba and the assignment of ten trustees[1]. The restructuring yielded a new charter and two distinct operations.

The first operation addressed the enterprise's educational and social mission. It held that a school for freed slave children must be maintained as the venture's highest priority. The second operation involved practical feasibility and economic self-sustainability. It held that all freed slaves should be offered passage to Jamaica, Liberia or Haiti. Many Nashoba supporters vehemently opposed this move, which contradicted the venture's original objective of introducing freed men and women into US society.

Wright moved to New York in 1828, where she continued spread awareness about the same causes. She became a controversial and provocative public intellectual who focused on the working conditions for men and women. In 1830, she returned to Nashoba for one last attempt to resurrect the enterprise with an intent to restructure the Haiti operation. The effort would have steered the enterprise back toward its original mission with two-way transportation between Haiti and the USA, but the attempt was futile. In 1831, Wright married William Phiquepal D'Arusmont and soon had a family. In the 1840s, she settled in Cincinnati and made public appearances until her death in 1852 (Miller and Bridwell-Bowles, 2005).

Nashoba ceased operations in 1829. Had the enterprise persisted, it would have incurred new and significant barriers in the 1830s. Highly charged oppositions both promoting and eschewing slavery generated a sharp polarization across the southern and northern USA. The intense local hostilities would have almost certainly made Nashoba's business model impossible. In the ensuing decades, the USA would see extreme forms of disruption based on the same values championed by Nashoba. More radical social enterprises began to emerge, such as the Underground Railroad. Tensions over the values of freedom and equality persisted and intensified for the next 30 years and, in the 1860s, culminated in the Civil War.

Discussion

The case of Nashoba demonstrates many aspects of social enterprise as it is researched today. The examples of value creation, moral conviction, social disruption and other aspects of the case are instructive to social enterprise theory. In this section, we discuss implications in terms of disruption, transformation, institutions, public goods. Finally, we outline two principal implications for future social enterprise research and theory.

Social enterprises generate value denominated in social terms, such as justice, equity, or fairness. Those elements are not always amenable to pure market settings and competition. However, social enterprises can and do operate in contexts where other ventures cannot, such market failure settings, deals involving public goods, functioning alongside monopolies and operating in institutional settings. Social enterprises can survive in these contexts when the value they generate aligns with shared values that stimulate movements and defy markets. In this way, social enterprises can influence legal and institutional frameworks and transcend public and private realms (Hill *et al.*, 2010; Mullen and Skitka, 2006). They disrupt and transform markets and societies. They deal in resources that traditional ventures cannot transact, such as non-excludable public goods. They generate impact in institutional settings where settings cannot function because of market failure. Venture survival becomes a matter of social and economic resources and the effects of supply and demand. The moral conviction of the entrepreneur and her constituents remains vital to success. In what follows, we examine the case of Nashoba in terms of these all principles before offering a summary and two primary implications.

Disruption and transformation
Entrepreneurial activities disrupt market environments because they herald new ideas and transactions that shift the status quo. Social enterprises function similarly in non-market social environments and extend into a larger social order that subsumes market systems (Nicholls, 2012). Social impact is often a case of the market in which the venture performs influencing the larger social setting that subsumes the market. The denomination of social value is part of venture operations. Nashoba generated social value in a very similar way.

A venture's disruption of a market can stimulate institutional change when the venture's operational model deals in resources that exist outside the market setting, and in the social setting, where change occurs more slowly and in more complex ways. The case of Nashoba demonstrates this principle in that venture functioned for an extended period of time in economic terms even as it was failing in social terms. The principal extends the boundary conditions of social enterprise theory to include the ethics and norms of institutional environments (Thekaekara and Thekaekara, 2007).

This case of Nashoba also shows that moral conviction is a mover of disruption and transformation in the social contexts in which social enterprises intend to effect change. This consideration requires an extension current theory to explain the interplay between the values championed by an entrepreneurial leader like Frances Wright and the values shared by members of communities. Such a theoretic approach shall enable better explanation of how social enterprises can perform in non-market institutional environments and deal in social resources that transfer into economic self-sustainability. Moral conviction as reflected in public behaviors that demonstrate values is an important part of this transfer mechanism.

Institutions and public goods
For a social enterprise to perform a in non-market domain requires factors that are not traditionally part of strategic management theory. For example, marriage is an institution with identified inefficiencies that have been targeted by social enterprises. As the case of Nashoba demonstrates, changing such an institutional environment results in shifts in public policy and popular opinions. It begins, however, with moral conviction and the promotion of education and awareness and others instances of public goods. Such items are not traditional market elements (Ilhan, 2013; Nijhawan and Dubas, 2007).

Education and awareness stem from information exchange among members of a definable constituency. The result is knowledge that can be used as a resource. Unlike most economic resources, knowledge increases in value when it is shared. The Nashoba venture embraced this principle not only externally via Wright's public lectures but also internally with its educational operation. Such information exchange enables social enterprises to generate multiple types of value in ways that go beyond market parameters. It is important to note that social value does not just refer to impact on society. It also refers to the basic mechanism of social exchange. This mechanism is what allows social enterprises to become viable over time in instances defined by public goods and institutions (Wagner and Schaltegger, 2010).

As Wright demonstrated, social enterprise begins with moral conviction that one can scale to a societal level. This sort of growth is peculiar to social enterprises, but its risks include the usual strategic missteps and flawed operational decisions (Hollander and Einwohner, 2004). Moreover, because greater resource-based power rests with the status quo in social and market environments, entrepreneurial errors can result in more than one type of cost (i.e. economic and social) that cut to the heart of a social enterprise. Therefore, social enterprises rely on adaptive capacity, constituency mobilization, and timing like other ventures (Murphy and Coombes, 2009). The case of Nashoba shows that social enterprises

stand to generate more than one type of value, but they also stand to incur more than one type of cost when they make strategic mistakes.

Social enterprises also have unique defense mechanisms. They can succeed based on the avoidance and defiance of public and institutional power (Mair *et al.*, 2012). Avoidance requires the adaptive capacity to pivot and change course. Defiance, on the other hand, requires constituency mobilization based on shared values (Snow, 2004). The case of Nashoba shows that it is important to determine correctly when to avoid, and when to defy. A correct determination is based on proper interpretation of laws, cultural values, and traditions in social terms. In economic terms, it is based on accurate understanding of market trends on multiple levels. The case of Nashoba showed that misreading the international market (i.e. cotton prices) was a strategic misstep. The implication is that social enterprises can pursue a strategic social direction based on avoidance and defiance, but can succeed or fail based on pragmatic economic factors (Grimes *et al.*, 2013; Nepstad and Bob, 2006). Our research shows where to place boundaries around this principle.

Cross-hatching supply and demand with social and economic value
The case of Nashoba entails the functions and limits of disruption of societies and markets. Social value creation and economic value creation functions can coexist in a single business model based on disruption. Disruption can be considered more fully when one takes into account the supply and demand sides of an operational model. If the supply side is rooted in the social setting, then the demand side ought to be rooted in the market setting. Similarly, if the supply side of the operational model is market-facing, then there ought to be a balancing demand function in the social context. For social enterprises, a balance exists not only between social and economic modes of value generation, but also between supply and demand across those modes. This implication extends the traditional supply and demand mechanism. Social and economic value creation modes can exist in the context of one business model and compensate for one another when they operationally balance the social and economic contexts in which the venture is embedded.

Our study sheds light on the nature of blended value in social enterprises. Nashoba's buyback transactions were not illegal. They were part of the economic side of the enterprise and on the supply-side of the business model. They were disruptive in the external social context which is where demand originated. The venture's production of agricultural goods and services required farming land, selling cotton and producing cotton-based goods. Non-fertile farm land proved to be a supply-side threat. Yet, because it did not align clearly with the economic or social setting (i.e. it was part of both settings), the venture could not use its adaptive capacity to avoid or defy the threat.

A blended value approach holds that social and economic portions of an enterprise's operations can supplement and compensate for one another (Nicholls, 2010). However, they can confound one another if not situated clearly with respect to the larger considerations of supply and demand across the social-economic environmental context. As another example, when Nashoba incurred a demand-side threat due to falling cotton prices, it took a direct economic toll on its revenues. However, Wright and others had such enormous confidence in their mission that they seemed to assume a moral immunity to the threat. Thus, social value clashed economic value. The implication here is that social objectives typically outweigh economic objectives according to social entrepreneurs. However, an enterprise aiming to change the rules in society is sure to be disserved by the ramifications of this strategic posture.

Constituency mobilization

Another contribution of this research entails the limits of the social support from a mobilized constituency. Our case study showed that a mobilized constituency offers a means to harness resources. However, as described above, the dynamics of supply and demand that apply to a business model are more complex for social enterprises. As shown in the case, the people served by a social enterprise are also supporters of that same enterprise through time and volunteering. Other supporters donate financial resources because they believe in the mission, but are not served directly by the enterprise. The point is that not all constituents are alike, and the differences among them influence the kinds of resources they provide and the determinants of their mobilization to support the venture. If a social enterprise does not note these differences and manage carefully in relation to them, then it can have a deleterious effect on venture performance. Nashoba incurred this error. Its constituents supported the purpose but did not believe that the enterprise was suited achieve the purpose due to other concerns.

For example, supporters like Madison and Jefferson were important. So were families and communities that provided support. However, these constituents had important differences. Madison stopped supporting Nashoba once the venture appeared to be divorced from basic tenets of economics. However, the families and communities remained loyal. As the social enterprise interfaced with social and economic contexts directly, certain constituents across those realms were differentially aligned with the operation. Social enterprises with a mobilized and diverse constituency can harness diverse resources. If a social enterprise fails to understand the various dimensions of its constituency along these lines, then it risks losing support from aspects of its constituency.

A final observation involves the moral conviction of social entrepreneurs. In the case, Wright's background derived from a wholly different environment than many of Nashoba's constituents. Her moral convictions and willingness to act derived from her full background, even though it was somewhat removed from the backgrounds of those she intended to serve. Not all of Nashoba's constituents shared her values or worldview. Those who lived, worked and studied at Nashoba, and many of the supporting families, shared her beliefs about social change. Yet, Wright's fuller background partially divorced her from the values of local culture. This arrangement lent her a kind of objectivity that drove her moral conviction, as it embedded a powerful subjective idealism into her strategic planning. As illustrated in the case, her understanding was superficial when it came to what enslaved people were willing to do for her enterprise in the name of justice. As well, her knowledge of the global cotton market was limited. Her beliefs about the homogeneity and malleability of US culture were mistaken. Education and awareness are thus vital to a constituency as well as to the entrepreneur. The case demonstrates the notion that social entrepreneurs are frequently not from the communities that they intend to serve. Their external perspective lends strategic focus and moral conviction to their actions at the expense of a deeper understanding of how to fully engage the problems and inefficiencies of those communities. Moral conviction and education and awareness help coordinate the overall set of results of this study. In the final section, we briefly summarize and offer two implications based on these concepts.

Summary and implications

The power of moral conviction is not fully acknowledged in current social enterprise research. An individual-level construct is similar to passion, it entails more focus, and it goes beyond identifiable groups and extends into the sociocultural context. It relates to social justice and ethics, for it connects shared values of what is right and what is wrong with properties of public conviction. Moral conviction entails proactive desires to think and

purposefully act in the interests of a better world. One's own moral beliefs are subjective; yet they can be shared with others, which is when they can take on a more objective status. Wright spent years of her life in unique circumstances that enabled her to develop moral convictions that drove her to launch Nashoba in a society foreign to her. She did not know whether her values applied her constituents and was unable to question the accuracy of her beliefs. Moral conviction has boundaries. It is a foundation for coordinated action to redress social problems.

Implication 1: The moral convictions of social entrepreneurs are vital to their propensity to lead risky ventures amidst uncertainty and are based on individual experiences that do not always align with all the values of the constituency the social entrepreneur intends to serve.

When a constituency is mobilized around a cause, it becomes an objective element of the environment that can enable social enterprises to harness social and economic resources. Whereas this concept is well-known in the social enterprise literature, our paper contributes a qualification. Because individual moral conviction can lead to unrealistic strategic expectations, and because diversity within a constituency can be ignored by a social enterprise, there is need for a conceptualization of the internal and external social and economic aspects of the enterprise operational model in light of the perspectives of supply and demand.

When a social entrepreneur superintends diversity in a community instead of constantly seeking to understand its changing composition, a fractured form of constituency mobilization results in unreliable social and economic support. This effect can become crippling to a venture when the environment changes unexpectedly. The varying linkages between a social enterprise's operational model and its environment are vital to such support. When a constituency includes diverse members, an enterprise intending to shift an institution must connect reliably with all of them. If the enterprise model is not structured properly in relation to the diversity, then the fractured nature of the constituency extends into the enterprise itself and generates inefficiencies. Social value generation begins with disruption and economic value begins with a kind of balance. Crosshatching these principles enables a social enterprise to avoid or defy threats on the demand and supply sides of the business model.

Education and awareness are vital functions for social enterprises. We wish to reinforce and magnify this point as a promising vista for future research. Education and awareness must be available to an entire constituency (including the social entrepreneur) in ways that go beyond awareness of the social problems being addressed. The operational model must also be clear and compelling for constituents despite their full diversity across economic and social interests. This result of this level of education and awareness is not only adaptive capacity but also a sort of buffer against environmental change that can mitigate supply-side and demand-side threats.

Implication 2: Education and awareness that go beyond a social enterprise's cause to also include specific aspects of the operational model help ensure realistic shared beliefs about supply-side and demand-side resources that enhance the quality of relationships with a fuller diversity of supporters.

Conclusion
Our research examined Frances Wright and her Nashoba venture, a social enterprise that intended to address the problem of slavery through entrepreneurial operations in the USA in the 1820s. Our findings shed new light on concepts reflected in today's research and theory.

Whereas we ran the usual unavoidable risk of oversimplifying a complicated historic case, the boundaries provided by existing social enterprise theory helped guide our analyses of case data.

As we conducted our literature review, we noted that social enterprise and business ethics research both tend to regard ventures that combine social and economic objectives in terms of an "economic means to social ends" logic. Our findings regarding the effect of communities, constituency mobilization and blended social and economic threats serve to shift this means-ends logic to show that it can go both ways. The traditional matrix of opportunities and threats is transformed when one business model deals in more than one kind of value. Ventures that generate value beyond economic denominations not only face unique risks but also incur unique resources and rewards.

As such, a less linear and instrumentalist approach to social enterprise research and theory would help define the boundaries around what social enterprises actually do in practice. It would allow deeper understanding of how social enterprises can seemingly succeed and fail at the same time based on multiple denominations of value. A more holistic approach would also allow for the concept of moral conviction to explain constituency mobilization in more compelling and powerful ways. For example, an emphasis on strategic focus instead of general terms of passion or compassion would stimulate more meaningful research questions.

Successful social enterprises have pragmatic and moral legitimacy. The former comes from the traditional resources and operational elements, whereas the latter derives from a venture's non-market constituents who can influence institutional environments. Social enterprises, unlike other kinds of ventures, are uniquely able to use a variety of resources that are economic, public, social, technological and natural. This set of resources does not fall neatly into traditional boundaries of business or entrepreneurship research. As such, market dynamics are necessary to the entrepreneurial aspects of social enterprises, but they are only half of the story. Knowledge of communities and the values that define them are – and how to serve them – are also vitally important to social enterprises. That domain offers many potentially interesting research questions based on implications like the ones we contribute in this paper.

History tends to see social entrepreneurs like Frances Wright as "cursed by idealism" and "naively searching for liberal utopia" when their ventures ultimately fail. We posit that if Wright's Nashoba venture had succeeded, then not only would history have celebrated her but also the impact would have functioned as a wellspring for many other social enterprises. There is very little middle-ground when it comes to evaluations of such cases: the result is either sharply negative or radically positive. This "existential edge" that attends most entrepreneurial ventures applies particularly to those ventures with bold plans to go beyond markets and engage elements of society.

As social enterprises are better understood on unique ontological grounds, the advent of more integrative, holistic conceptual approaches to economic and social denominations of value will continue to take root. The promise of economic and social value blending is noticeable already, for example, in cryptocurrencies and financial technology (i.e. fintech) ventures. In these settings, where communities begin to matter as much as markets, social enterprises make much sense. Social enterprises reflect a third way – beyond markets and governments – that uses entrepreneurial principles but deals in non-excludable public goods and other ethical non-business properties that have the quality of permanence, with missions rooted in moral convictions.

The growing number of social enterprises in the modern century have much in common with the historic case we examined in this paper. That visionary social enterprise, founded

in the 1820s in America, was called Nashoba. The same spirit and conviction that drove Nashoba's leader, Frances Wright, exists in many social entrepreneurs today. Just like her, they often come from foreign countries. They recognize problems worth addressing for a purpose greater than themselves, and they boldly lead entrepreneurial ventures to resolve those problems for the benefit of civilized societies.

Note

1. (a) Marquis de Lafayette, (b) William Maclure, (c) Robert Owen (of the New Harmony enterprise), (d) Cadwallader Colden, (e) Richesson Whitbey, (f) Robert Jennings, (g) Robert Dale Owen (son of R. Owen), (h) George Flower, (i) Camilla Wright and (j) James Richardson.

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