

Innovative Finance Inclusion

Progetto Quid: Implementation and Impact of a Social Enterprise

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**Authors: Prof. Alberto Lanzavecchia
Ms. Lamia Yasin**

Affiliation: University of Padua



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Abstract

The global fashion market has changed profoundly, moving towards a trend of overproduction; this is among other factors in the development of the fast fashion industry which has had significant growth over the last two decades. Before the Covid-19 pandemic, the fashion industry had a global revenue estimated between 1.7\$ trillion and 2.5\$ trillion with an evaluated decline around the 18 and 20 percent after the pandemic.¹ The rise of these particular market segments has changed the dynamics of the fashion market, including the massive use of low labor costs, poor quality of materials, and thus low selling prices. The market of fashion is highly competitive, showing the tendency to the shortened life cycle of a product and have a higher margin from sales². Hence, the mass-production of clothing has led to the increasing production of waste creating an ambiguous supply chain with intensified pollution, productivity and low salaries as the driver of success. Thus, the fashion industry generates up to 10% of global climate impact, this industry alone accounts for 6.7% of the world's greenhouse gas emissions³.

In such a competitive scenario, there are few opportunities for people in disadvantaged and vulnerable situations to enter the labor market. They are subject to higher risks of precarious work, with a large unemployment rate. Under these circumstances, the segregation of these people is realised. An inclusive labor market allows and encourages all people of working age to participate in paid work, especially vulnerable and disadvantaged people.⁴ The common principle of this policy is to address their needs to facilitate their progressive reintegration into the labour market enhancing their employability.

The concept of sustainable fashion developed over the last decades as part of a global movement so-called "slow fashion" associated also with eco-green and ethical fashion.⁵ These approaches emerged when customers started to become aware of the impact on the environment of the clothing industry but also with ethical fashion associated with fair working conditions, as a new sustainable business model.

¹ Euromonitor International, a market research provider & McKinsey report 'State of Fashion 2022: An uneven recovery and new frontiers'. Source: McKinsey analysis 2019

² Bhardwaj V. & Fairhurst A., *Fast fashion: response to changes in the fashion industry*, The international review of retail, Distribution and Consumer research, Vol. 20, No. 1, February 2010.

³ Quantis, measuring fashion: insights from the environmental impact of the global apparel and footwear industry study, report 2018.

⁴ Székér L., Lamberts M. & Van Petegem J, *Integration and inclusion of vulnerable groups on the labour market in Europe*, EZA-HIVA-research project 2015-2016.

⁵ Henninger C.E., Alvezious P.J. & Oates C.J., *What is sustainable fashion?*, Journal of Fashion Marketing and Management, 2016.



The necessity of having a more sustainable fashion market combined with the need to create an inclusive policy of integration into the labour market is the heart of the case study we are going to analyze.

This paper illustrates the innovative “Progetto Quid”, an Italian-based social enterprise in the Fashion industry.

Keywords

Social Innovation, Supply Chain, Circular Economy, Upcycling, Fashion, ESG, Italy



1 What is Progetto Quid?

Established in 2013 in Verona from the will of a group of friends to create real change for vulnerable people, Progetto Quid (Quid⁶) is a social cooperative, of type B under Italian legislation ex. L.381/91. This indicates that they have an obligation to their internal charter to make the Italian labour market more inclusive through pursuing a manufacturing activity, like fashion. Quid, in 2021 reached a turnover of € 8.7 million (€ 10.3 million in 2020), an EBITDA of € 0.342 million (3,55%).

The idea of the organization was to redefine the concept of fragile as a starting point not as a limitation, developing their vision. It operates in the fashion industry, creating its sustainable fashion brand combined with social purpose⁷. With this in mind, their collections of ethical fashion under the Progetto Quid and Essenza brands are created from small quantities of surplus and end-of-series fabrics, recovered in collaboration with a network of weavers and brand partners. In addition, to existing as an independent brand, the cooperative is an ethical supplier to Italian and global fashion and lifestyle companies, with ethical lines of accessories and co-branded garments. they have designed, produced, and distributed fashion collections made from top-quality surplus fabrics, offering career opportunities to those at high risk of segregation and labour discrimination in Italy⁸.

The model created by Quid is developed with a three-dimensional view: 1) fragility of the ecosystem, its where they find their *opportunity*, meaning the fabrics that are in the warehouse are a side effect of the fashion system, 2) human fragility (human capital and profit meter), and 3) Empathy, fragility is the vector of empathy. These three factors create Quid's model that generates impact and volume, at the centre of which is what they call the **F factor** which stands for fragility. Their objective is not to maximize profit but to maximize impact, i.e., the ability to create new job opportunities⁹.

There is a shared definition of social enterprise (Ana Maria Peredo and Murdith McLean)¹⁰ which complies the social impact and the sustainable economy.

In particular, in targeting fragile people Quid offers employment opportunities and professional development for people at risk of labour exclusion in Italy with particular attention to female employment. Indeed, the organization's rationale is focused on social challenges such as inclusion, socio-economic development of disadvantaged people, and valorising women's role¹¹. The decision to target this specific segment of the population is given the double hardship and discrimination that women mainly from low social status (income) suffer in addition to gender discrimination within their own families that does not

⁶ meaning in Latin something more

⁷ <https://digitallydriven.connectedcouncil.org/europe/progetto-quid/>

⁸ Quid Bilancio Sociale 2020 .

⁹ Fiscale A., *The fragility factor: from social challenges to social wealth*, TedxLakeComo, November 2017 <https://www.youtube.com/watch?v=KLfF-GjwQyo>

¹⁰ Peredo A.M. & McLean M., *Social Entrepreneurship: A critical review of the concept*, Journal of World Business, 2006.

¹¹ Ciasullo M, Castellani P., Rossato C. & Troisi O., *Sustainable business model innovation. "Progetto Quid" as an exploratory case study*, Italian Journal of Management, Vol. 37, Issue 2, 2019.



allow them to work. The lack of economic independence of these women is one of the reasons that Quid decided to target them as their main group.

Women's condition in the Italian labour market, is far from gender equality and the participation gap has only slowly declined over time, women are less involved in the labour market in Italy than their European counterparts¹². Consequently, the country is one of the least inclusive in Europe and the Coronavirus pandemic has worsened the situation showing 2020 a sharp increase in gender inequalities in terms of women's access, participation, and progression in the Italian labour market¹³. This is another reason why Quid has the willingness to pursue both economic and social objectives as the company's mission and vision.

Quid uses fashion as **a tool for social innovation**, to pursue business sustainability¹⁴.

2 Unique Cooperation & A New Sustainable Model

The sustainable company not only has the task of identifying resources that are in line with their sustainable strategy but also has to redefine the management of the supply chain with sustainable standards and aim at the continuous renewal of internal competencies able to support the drive for economic, social and environmental innovation in all business processes¹⁵. In this framework, sustainability plays a key role in setting the business strategy and design the entire process. It will be now outlined the main characteristics of sustainability from both the dynamic value and the circular process *'They all aim at creating social value, either exclusively or at least in some prominent way, show capacity to recognize and take advantage of opportunities to create that value, employs innovation, ranging from outright invention to adapting someone else's novelty, in creating and/or distributing social value, is/are willing to accept an above-average degree of risk in creating and disseminating social value and is/are unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture'*¹⁶.

2.1 SDGs

Quid is a sustainable economic reality, that was able to answer to the dominant discourse of SDG - Sustainable Development Goals as a measure of economic well-being. Their business model is designed to guarantee decent working conditions for their employees to avoid disparity¹⁷. Hence, empowering people at risk of labor exclusion with career

¹² Carta F., *Female labour supply in Italy: the role of parental leave and children care policies*, Questioni di Economia e Finanza, Banca d'Italia, No. 539, 2019.

¹³ Rapporto Inapp 2021.

¹⁴ Ibidem, Quid Bilancio Sociale 2020

¹⁵ Ibidem, Ciasullo M, Castellani P., Rossato C. & Troisi O., 2019.

¹⁶ Ibidem, Peredo A.M. & McLean M p. 25

¹⁷ D'Itria E., *Fashion design education and sustainability: a challenge accepted*, The learning Network on Sustainability, Chapter 11, Education and diffusion of design for sustainability, 2019.



opportunities and professional development. Under those circumstances they specifically help women, facing gender discrimination and lack of economic dependence to tackle gender inequality. In other words, Quid aims at reducing inequalities focusing on inclusion and economic growth for disadvantaged and marginalized members of society. Along with the social aspect, their business model is closely linked to the environment and the protection of the planet's resources also present within the SDGs. In fact, ensuring the responsible consumption and production of their goods, they have created an innovative management of the supply chain, from the recovery of used fabrics to reduce the waste to achieve a positive impact for the environment. All of the above mentioned, is also possible thanks to the multi-lateral partnerships that they have created to produce and impact on the territory at a national and local level. Therefore, it is possible to state that the business model created by Quid effectively meets the objectives for a sustainable development in an innovative manner.





2.1.1 SGD Goals 12 and 13: Circular Economy and Upcycling Strategy

The purpose is to create a virtuous economic circle with fair access to financial services to manage incomes, accumulate assets, and make productive investments. As a sustainable social reality, they have developed the capacity to interact and collaborate creatively and effectively to generate thriving social cohesion.

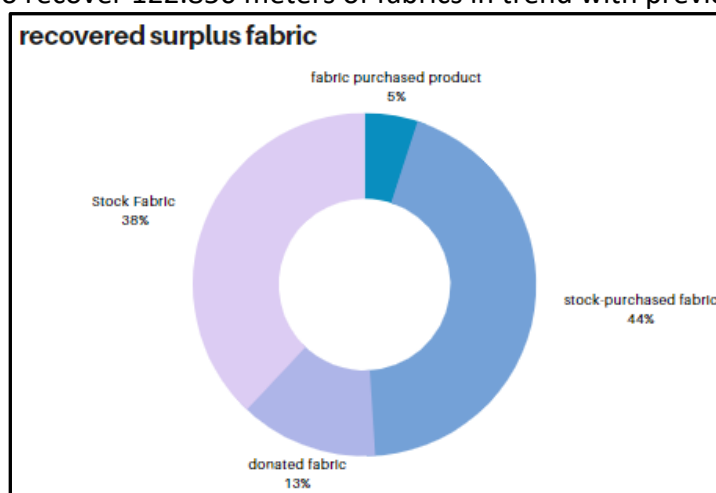
This project, therefore, presents itself as complete in every aspect of the circular economy, being both attentive to the issue of sustainability, through the recovery of unused material, and to the aspect of social inclusion, fundamental to closing the circle¹⁸.

Circular economy as a global strategy that mimics natural cycles by transforming waste; in which products are designed to be reused, regenerated and recycled. A new model of production and consumption capable of making more efficient use of resources is needed.

Quid, as a strategy within the circular economy use the upcycling approach, also known as creative reuse, is the process of transforming discarded materials, useless or unwanted products into new objects perceived to be of higher quality, to which artistic or environmental value is attributed. Upcycling instead of recycling restores the unused fabrics putting them on the market with an additional value.

The sustainable characteristic of the cooperative is clear and visible like their supply chain. Only in Italy, the 18% of the fashion industry produces 465,925 tons of waste, and thanks to the possibility of Quid to receive fabric as a donation they can recycle- upcycle the textile¹⁹.

The cooperative business model has been recognized at the European level as a sustainable model aimed at environmental innovation, specifically for their activity of recovering a large amount of fabric waste, with the result supported by the reduction of environmental emissions, a reduction of carbon dioxide emission by around 18,000 tons. Quid was able in 2021 to recover 122.850 meters of fabrics in trend with previous years.



¹⁸ Cotta S. , *Sostenibilità ambientale e Circular Economy: principi guida e casi studio*, University of Padua, 2018.

¹⁹ Ibidem, Quid Bilancio Sociale 2020

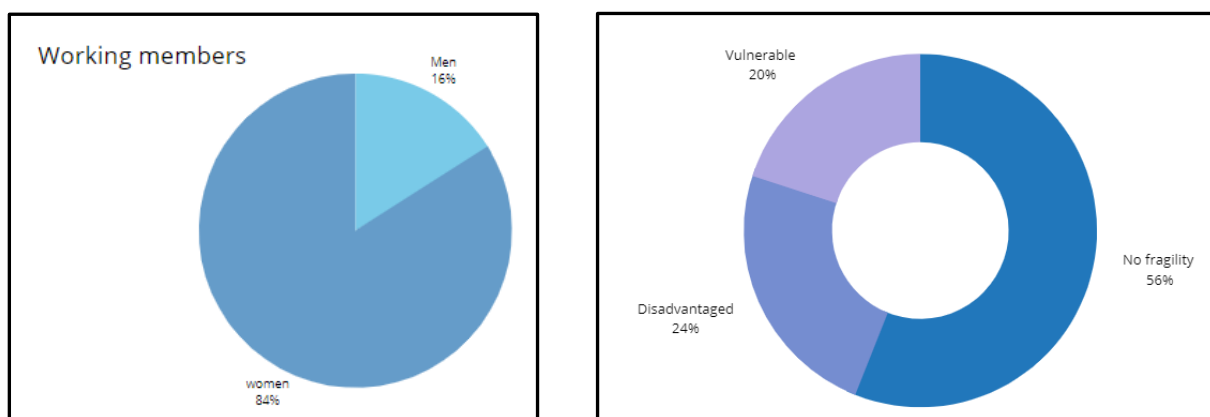


2.1.2 SDG Goals 8, 10, 5: Social Impact

In 2019, Quid thanks to a collaboration with "Economics Living Lab" of the University of Verona, they have launched a program of social impact measurement for three years. This has happened within the framework of iMPacTA²⁰, social innovation program, a cross-sectoral network of experimentation, implementation, and study of a new model of active inclusion focused on job placement as the key to sustainable, high-impact social and labor inclusion of those who are marginalized and discriminated against in the labor market. The role of Quid as an experimental laboratory of innovative best practices that can bridge the gap between work and social inclusion.

The impact framework focuses on eight key indicators of life quality and working life: socioeconomic status, engagement, ability to conciliate life-work, happiness, civics, community, religion, health, and monitoring employee's social life and resilience. These indicators are annually collected through a qualitative and quantitative survey in addition to other qualitative tools introduced in 2020.

Measuring the impact has shown a rise in wellness on all the indicators above mentioned, for example before joining the cooperative the 93% of the employees declared themselves as non-economically independent, but after joining the cooperative 29% is completely financially self-sufficient, the 49% were almost completely independent and the 21% slightly autonomous.



(Progetto Quid, Social Balnce sheet 2021)

²⁰ <https://www.fondazioneclariverona.org/news/impacta/>



3 Internal and External Actors and Aims

Achieving social innovation means the involvement of a wide range of actors, and continuous change in relationships and network interaction. New forms of governance, types of collaborations, and participation of marginalized groups are the normal outcomes of what is known as social implementation²¹.

As above mentioned, Quid impact model aims to take the fragility (F factor) of female work, as a starting point to create a more inclusive world. The hybrid dimension for the enterprise includes a complex and comprehensive network of internal and external stakeholders. In addition, Quid manages to capture the attention of impact investors and philanthropic ventures due to their remarkable capacity to create value thanks to their particular business model.

3.1 Italian regulation

In Italy, the main rules are contained in the Civil Code, from articles 2511 to 2548, within the general framework of companies. At the same time, there are separate acts specifically dedicated to cooperatives. There are also special laws on particular types of cooperatives (worker cooperatives, social cooperatives, and cooperative banks)²². The Italian legislation on cooperatives is generally considered one of the most advanced and complete at the European level, also because it is rooted in the specific constitutional recognition of the social function of cooperation. Thus, cooperative law in Italy is rated as being well developed.

The Italian law, within the ex-art. 14 of the Convention, Dlgs 276/2003, regulates social cooperatives both on the employment and economical aspects, the law outlines the requirement for a social enterprise to hire as employees at least 30% of disadvantaged people, and the incentives and advantages to a social cooperative. Quid has more than the 50% of employees' categories as disadvantages. According to the 68/99 Italian national law, each enterprise with more than 50 employees must hire workers with disabilities and vulnerable people, equal to 7% of their total employees. The enterprise can, up to 30% (of 7%), "delegate" the hiring of this disabled personnel to a Social Cooperative, in exchange for a work order (from the company to the Coop)²³. The client company and the Coop agree on a product that represents the object of the job order; starting from this, the basis for the stipulation of the Convention is created. Quid, in 2018, has launched a new CSR intending to strengthen inclusion through work as a new policy for potential employees.

Quid has also other Non-profit partnerships, such as cooperation and association helping them in a different phase to scale the impact on the territory, namely known as "institutional partner", essential to the social mission of the cooperative. Hence, they help Quid in augmenting the impact and the long-term sustainability of the project itself.

²¹ Ferrarini, ibidem.

²² <https://coops4dev.coop/en/4deveurope/italy>

²³ <https://www.quidorg.it/portfolio/filiere-di-impiego-inclusivo/>



The social enterprise has been recognized with the European Social Innovation prize in 2014, thanks to its ability to empower vulnerable and marginalized people and their environmental approach and impact.

Progetto Quid won the Responsible Disruption Award of the Green Carpet Fashion Awards 2020, directed by Shanghai Fashion Week in recognition of the double objective pursued through its fashion collections: to create social and labor inclusion by giving new life to leftover fabrics.

In 2021 at the 33rd edition of the Golden Apple, Quid has been awarded the Marisa Bellisario Award, a recognition supported by the Italian Presidency of the Republic, where the theme of the award was *"women who make difference"*.

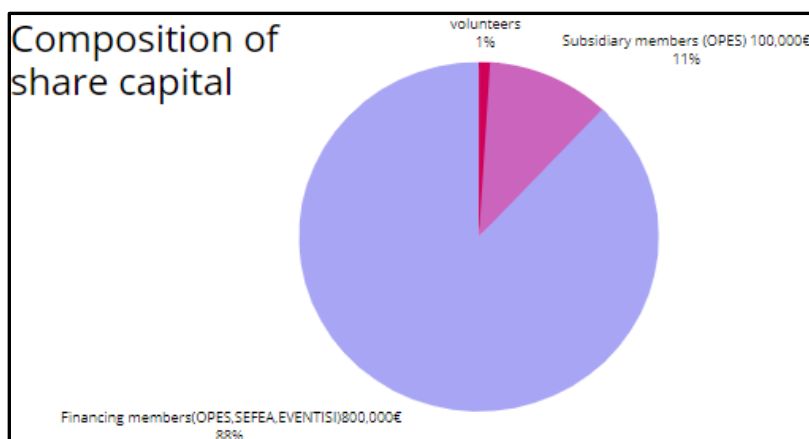
Quid offers support and mentoring to start-up companies in terms of educational patterns training them, developing human resources, and tutoring them in the creation of a network of social and sustainable partners, with the strong belief in enhancing sustainable circular economy methods like the one developed by Quid.

3.2 Governance

The governance is based on a cooperative model of prevalent mutuality. The Subsidiary Member and the Financing member are typical figures of Cooperatives and Consortia, recognised by law. On the one hand, the purpose of the subsidiary member is to bring capital into the Cooperatives of which is a member, receiving remuneration in return.

On the other hand, the financing member only interested in providing funds as a form of investment. Hence, the differences lie in the use of the paid-in money: while that of the former is tied to certain activities, uses and investments, that of the latter can be used as the cooperative sees fit. The involvement of financing partners within the social cooperative makes it attractive to those involved in impact investing (Lanzavecchia & Bavado, 2018)

The administration is supported by statutory bodies: The Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors. Their social capital is divided as follows:



(Progetto Quid, Social Balance Sheet 2021)



They experienced exponential growth, in less than 8 years of activities at the end of 2020 the number of total employees was 126, of which 121 members of staff, including 39 saleswomen employed in their 10 stores. In 2021 the total workers were 13, where the 44% are in a vulnerable and fragile situation and 84% are women, located in four different Italian regions and 2 manufacturing labs, where 5 employees are working in the prison workshop in Montorio Veronese. The type of contracts concluded with employees comprise 70% of the workforce were employed full-time, 83% on permanent contracts. In 2021, 38 new members joined the Cooperative against 44 terminations²⁴.

Among the internal stakeholders, working members are the providers of invaluable economic and human capital, the financing and investing members bring capital and skills. Employees, internal to the operational and production sites, contribute to the creative and social life, benefiting from an embracing workplace. Corporate bodies govern and direct the course of our operations.

External stakeholders related to recruitment and inclusion processes catalyze social impact by sharing expertise and networking. They became a medium of the impact on civil society. In compliance with the company's Code of Ethics, stakeholders are therefore aligned with the mission and values that drive Quid also through regular formal and informal initiatives of direct involvement²⁵.

That said, the partnership element refers to a complex and comprehensive network, composed of a variety of stakeholders, including the internal staff, for-profit and non-profit companies, customers, and potential collaborators yet outside the cooperative.

3.2.1 Stakeholders

Quid operates as a hybrid organization with a broad network of internal and external stakeholders. Producing an impact on the territory at a local and national level, working together with the public and private sectors.²⁶ Quid uses its institutional partners to augment their impact on the territory and as a strategy to sell, using the double channel, of B2B and B2C, to maximize their impact²⁷.

The presence of both selling options is what guarantees their strength as a social enterprise, where B2B stakeholders supply Quid with raw materials and possible collaboration working as a traditional company but with the challenge of employing fragile people who are still in the process of learning and acquiring the necessary skills. Most of the fabrics that they receive are donations in stock but whenever they are not sufficient they have to buy what they need.

The process of saving and extending the life of materials while avoiding waste, makes Progetto Quid and Essenza, one of the first independent brands of ethical fashion.

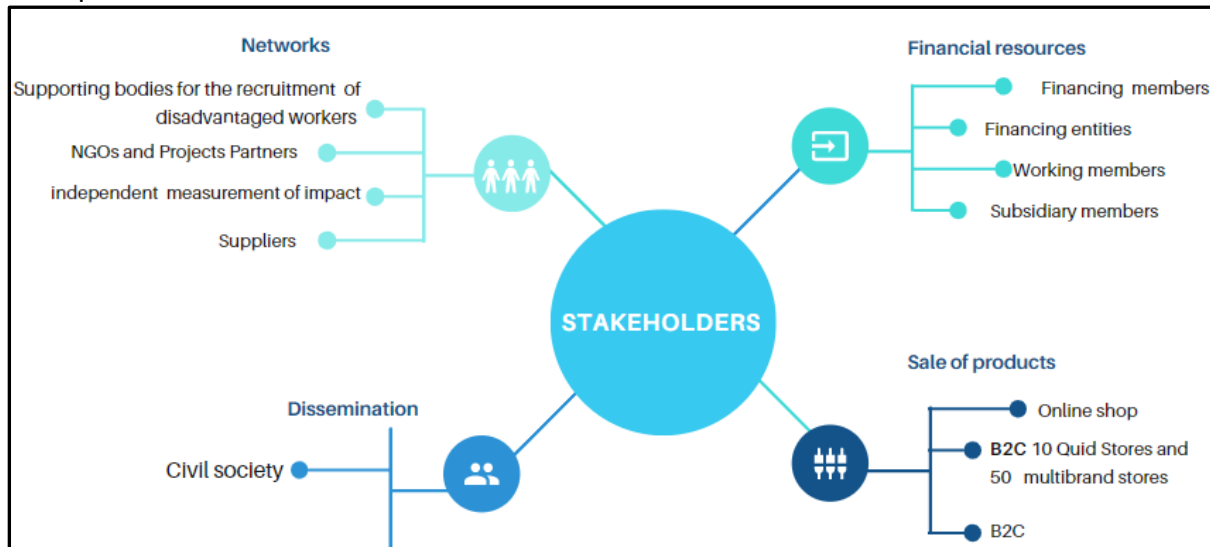
²⁴ Ibidem, Quid Bilancio Sociale 2021

²⁵ Ibidem, Bilancio Sociale Quid

²⁶ Ibidem, Quid Bilancio Sociale 2020

²⁷ Ferrarini M., *How partnership can shape social enterprises' strategies: the case of Progetto QUID*, dissertation Universidade Catolica Portuguesa, 2018

As part of the cooperation with their B2B partners, Quid helps large companies to improve their sustainability policy, such as making them collaborate with local social enterprises.



3.2.2 Future aspirations

However, Quid still faces some challenges concerning the need to shape the demand and practices of its partners externally due to its non-traditional organization but it also has concerns regarding its internal resources. On the one hand, toward external partners, QUID must always be careful about the kind of image it wants to convey and the message it wishes to transmit. This is necessary to secure and maintain the institutional support and legitimacy it requires to continue operating in the territory. Therefore, it's important to avoid a shift away from the cooperative's mission and vision. On the other hand, internally it has to protect its inner processes and culture, to have positive effects on its bottom line, its recipients, and the social environment around it²⁸. Indeed, the aspect concerning the identity of the social cooperative and its mission and core values is something that all actors involved must align on.

²⁸ Ibidem, Ferrarini M.



4 Conclusion

Progetto Quid has been selected as a case study, due to its innovative and creative business model. Quid is indeed a social cooperative of profit-making business but also to produce a positive social impact on the territory, at a local and national level. As such, Quid is a case of sustainable and innovative business model.

According its management, they were able to introduce a *collaborative based on open innovation which is an innovation created from a bottom-up approach that not only aims to identify and respond to the community's needs but enables us to predict their enrichment, buy guiding them toward sustainability*²⁹.

This is consistent with findings from Ciasullo et al. (2019, p.229: “[Quid is] a *microcosm animated by co-participative and co-creative collaborations at a strategic level*”.

Progetto Quid had and still can innovate and disseminate sustainable values within its strategic business orientation and cultural organizational structure. With a comprehensive vision both on enhancement of disadvantaged people and tackle the environmental problem produced by the fashion industry.

This combination has established the continuous link between sustainable business strategies and processes, ethical values, and community values. The engagement and continuous renewal process of the values is essential to endlessly innovate their business model supported by their broad network and interaction to value creation and co-creation.

However, some questions arise after this analysis specifically on sustainability in terms of business survival. If the global trend is the transition toward a more sustainable world and the implementation of sustainable practices, what would happen if the suppliers providing the business with recovered fabrics will start to internalize them self the procedure or reduce the production in order to transitioning to a more sustainable business? Furthermore, taking into account that fashion is a very critical industry and there is a global trend in moving to second hand fashion, would this business model survive and adapt?

In conclusion, it comes natural the question on whether in a hypothetical fully sustainable world, what will happen to Quid in corporate business terms?

²⁹ Ibidem, Ciasullo et al. 2019, p. 225



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Sitography

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