

Monday 16 December 2024

Dear Chancellor and Secretary of State for Business and Trade,

Re: Competing on Quality and 'Invest 2035: the UK's Modern Industrial Strategy'

The industrial strategy green paper published in October 2024 briefly notes the importance of competing on quality, stating on page 29, "The Government will also seek to foster a more dynamic scale-up environment offering high returns. The UK can compete on quality and generate high growth in the services, technologies and supply chains of the future."

To achieve this, the Chartered Quality Institute (CQI) considers that the planned industrial strategy must include much stronger policy criteria to help UK industry deliver superior quality products and services to the domestic and global markets – and drive a step change in productivity growth through improvement in work processes. To 'compete on quality' we call for the following to be included in the final industrial strategy.

- 1. Growing quality skills across the economy**
- 2. Growing awareness of quality management**
- 3. Growing a culture of quality within UK industry**
- 4. Aligning voluntary standards and regulation with competitiveness**
- 5. Aligning industry and the public sector**

To explain this, we provide the following responses to the green paper.

Competing on quality – To support the ambition to compete on quality, the industrial strategy must promote and support the innovation of sustainable products and services. The green paper suggests that the UK has much going for it in terms of R&D. The UK must be able to commercialise innovation to provide superior value for the global market. Quality management provides tried and tested methods to deploy growth strategy and drive innovation at pace while mitigating quality failure risks.

Productivity growth – To support the ambition to improve productivity growth, the industrial strategy must promote and support a transformative improvement in work efficiency. While many target sectors identified in the green paper already have strong quality capabilities and the ability to work productively, this is not prevalent in the total supply chain or the wider economy. Research within the quality profession reveals that 20% to 40% of operational costs are due to errors, avoidable waste, and subsequent rework. For example, recent studies conducted by the Get It Right Initiative have found this to be the case in the UK construction sector. In addition, the construction sector has identified the requirement to invest in quality management systems, tools and training to improve productivity and profitability.

Encouraging industry investment – A 2011 study completed by the Bayes Business School (formerly CASS) and the CQI found that organisations implementing strategic quality management can expect to get £6 back in increased revenue and savings of £16 for every £1 spent. National quality awards, such as those given by the Chartered Quality Institute and British Quality Foundation each year, underline

how good quality management can transform productivity and competitiveness. However, these cases are exceptions rather than the rule. As part of the government's ambition to encourage business investment for growth, the industrial strategy must help industry understand the value of investing in quality to innovate product/service quality and productivity.

Society 5.0 – The UK has a wider agenda to embrace data and digital technologies to improve productivity and innovation and drive sustainable competitiveness for the benefit of people and the planet. For over 100 years, the quality profession in the UK has been dedicated to helping organisations create and improve value. It is now critical that the quality profession continues its pivotal role to help organisations build quality into sustainable digital innovation to drive trusted performance at pace.

Global benchmarks – It is worth noting that economies with similar approaches to industrial strategies, such as South Korea, have emphasised R&D and innovation in target sectors. This focus is supported by a commitment to developing quality management capability within industry to drive productivity growth and ensure products and services have a unique competitive advantage in the global market. Japan goes further by developing quality skills, such as basic problem-solving and improvement even at the secondary school level and is now pursuing a Society 5.0 concept, joining up industrial and social strategies aimed at delivering a smart and sustainable, digitally enabled society.

To fill this quality gap in the green paper, the following must be included in an industrial strategy:

1. Growing quality skills across the economy

What? – The skills agenda must support the development of knowledge of and skills in quality principles and methods from GSCE Business Studies to modules in higher education programmes and apprenticeship schemes.

Why? – If people at all levels throughout the economy do not have the understanding and tools to improve how work is done, to deploy product and service innovation and strategy, the UK will not realise its ambition to compete on cost and value.

2. Growing awareness of quality management

What? – The industrial strategy must point industry to the existing UK quality and excellence ecosystem. This ecosystem includes the UK Quality Infrastructure (sponsored by DBT) and the many allied quality bodies and critical professional bodies. To achieve the above, we call for the bodies that make up the quality ecosystem to have direct representation on the planned Strategy Council and relevant expert forums.

Why? – This quality ecosystem, and sectors already advanced in their quality management, is an existing UK resource with which the government can coordinate to support quality capability development and awareness raising at little cost, including in the crucial SME sector.

3. Growing a culture of quality within UK industry

What? – Quality management provides a robust framework for the sustainable development of the right culture to drive change, reduce risk and enhance reputation. It wins, hands down, over attempts to force cultural change through episodic programmes of change. The industrial strategy must encourage the development of sector-led, long-term quality programmes, such as those provided by ADS and SMMT, which develop quality culture and capability development in their supply chains.

Why? – Examples of corporate failure to act in the right way when moral hazards emerge demonstrate how investment can be wasted and reputations irrevocably damaged. No amount of bold talk about growth, investment and innovation will mask a damaged culture.

4. Aligning voluntary standards and regulation with competitiveness

What? – The industrial strategy must make the standards system clearer and more easily accessible to industry and lawmakers. The broader narrative on regulation and standards must shift to rebalance their defensive role to a focus on supporting quality outcomes, innovation and global competitiveness. Additionally, the UK industrial strategy must encourage industry to invest more resources in standards development, especially in emerging sectors.

Why? – The government notes that standards and conformity assessment provide a faster and more agile way to drive innovation. The UK Quality Infrastructure is already working to ensure that the UK has an agile approach to supporting innovation in areas from digital to net zero. The UK has world-leading standards and conformity assessment capability, but globally, standards policy-making is being driven increasingly by other countries, such as China, in pursuit of national competitive advantage.

5. Aligning industry and the public sector

What? – We call for the quality profession to be added to the civil service list of professions (from which it is currently absent). Additionally, government procurement must be set up to demand high standards of quality delivered by suppliers that demonstrate a commitment to excellence in quality management. This should include the involvement of suitably qualified quality professionals on both sides of the trade.

Why? – These will provide a coherent approach to the quality profession, which exists informally within many areas of the civil service and ensure a common language between the public sector and industry. This will also provide a mechanism for ensuring that the policies and principles of the industrial strategy are implemented across the supply chain.

The risks of not including a robust quality improvement element in the industrial strategy are:

1. The ambition to compete on superior, sustainable quality products and services across the physical and digital domains will be compromised.
2. The opportunity to realise considerable productivity growth by tackling inherent waste, inefficiency and ineffectiveness in work processes will be compromised.

We do not pretend that quality management is the single solution to realising the ambition of an industrial strategy. However, overlooking this topic would compromise impact, pace and results. The UK is already considered a world leader in many aspects of quality. Much of what we suggest requires the government to maximise the UK's existing, world-class quality infrastructure and ecosystem, and to embed quality principles into other policy areas. This is not about pitching for government money but for the government and industry to set the tone for quality innovation and improvement at pace. In short, "to compete on quality and generate high growth".

Yours sincerely,



Rashad Issa

Chair, CQI



Vincent Desmond

CEO, CQI

CC: This is an open letter available publicly on www.quality.org