

The Post Office Scandal: Implications for Management, Leadership, and Governance

Christopher J Moon

FRSA FHEA FEEUK, Middlesex University, Department of Strategy, Leadership and Organisations, UK

c.moon@mdx.ac.uk

Abstract: Many have become more aware of the Post Office (PO) scandal because of the screening of the docudrama *Mr Bates vs The Post Office* in 2024 (ITV, 2024) and coverage of the recent Public Inquiry (*Post Office Horizon IT Inquiry*, 2024). However, there are also now several publications concerning the case which highlight key failures in governance, leadership and management that can be addressed. This working paper reviews the case from documented sources and applies critical insight to understand the case from the perspective of both business ethics and organisational behaviour. The author is a former Manager of Ethics and Responsible Business Practices for a global professional services firm, and the co-author of the Economist book, *Business Ethics* (Moon and Bonny, 2001). The paper highlights the need to build ethical and responsible decision-making cultures from the top down. However, setting the 'tone at the top' is no longer a useful paradigm. Too often senior leaders' distance themselves from the actual running of the enterprise to be fully aware of potential risks that need to be managed. In the case of the PO, key learning points are highlighted in this regard with reference to the work of the investigative journalist Nick Wallis (2021, 2022) and other key authors.

Key words: Post Office Scandal, Ethics, Governance, Leadership, Management.

1. Introduction

Between 1999 and 2015, more than 900 sub-postmasters were convicted of theft, fraud, and false accounting with about 700 prosecutions taken by the PO itself (JFSA, 2024). In 2019 it was ruled that the Post Office's contracts with the sub-postmasters were unfair, and that the Horizon system not only "contained bugs, errors and defects" but that the PO and its supplier Fujitsu were aware of these defects and covered them up (BBC, 2024a). In 2024 the public inquiry is ongoing, and the Metropolitan Police are investigating executives from the Post Office and its software provider, Fujitsu.

Wallis (2021,2022) provides the definitive account of the scandal, according to the BBC journalist and broadcaster Mishal Husain. Several aspects to the scandal are focussed on including *Rolling Out of the Horizon system, The Whistleblower, Cultural Blindness, and Corporate Denial*. However, this paper goes further and focusses on Ethics, Governance, Leadership, and Management. Indeed, none of these words appear in the index to the account provided by Wallis.

This paper includes a discussion of academic literature pertaining to the scandal including ongoing research conducted by Augustine et al (2023) for the British Academy/Leverhulme Small Research Grant. This research drew attention to the reasons for individuals not to speak out, and the decade or more it took for the tide of public opinion to turn in favour of the sub-postmasters affected. Further, Dennis (2024) draws attention to 'red flags of poor leadership', Jackson (2024) to toxic management culture, and West (2024) concerning lessons for directors.

2. Background

Like the docudrama, *Mr Bates vs The Post Office*, the Public Inquiry (The Post Office Horizon IT Inquiry, 2024) could be described as '*The Public vs Paula Vennells*'. Ms Vennells was the CEO of the Post Office from 2012-2019 and gave testimony at the Public Inquiry on 22-24th May 2024. The BBC posits that her testimony centred around five big 'moments' (BBC, 2024b). Firstly, that Ms Vennells had misled MPs during a meeting in June 2012. Secondly, texts from Dame Moya Greene, Royal Mail's former boss, stating that she felt Ms Vennells knew about the issues when she claimed she did not. Thirdly, Ms Vennells claim that she did not know, for at least five years, that the Post Office conducted its own prosecutions of sub-postmasters. Fourthly, an email from Ms Vennells in which she said her "goal" was that all press be "scoured for negative comment and refuted". Fifthly, Ms Vennells admission that she'd arranged for a reference to the Horizon IT system in the prospectus for the flotation of Royal Mail to be deleted, and her concomitant message to the PO Chair, Alice Perkins, that "I have earned my keep on this one."

3. Literature and Theory

The Public Inquiry drew attention to the role of the CEO in the scandal and other corporate executives, external agencies, organisational hierarchy and decision-making processes, the Post Office culture and values. Lawyers for the Sub postmasters argued that Ms Vennells cared more about PO profits and reputation than the plight of the Sub postmasters, and that Ms Vennells arguments that she did not know about the computer bugs and did not know about the prosecutions of Sub postmasters, were false (BBC, 2024c).

Dennis (2024) identifies several ‘red flags’ for poor leadership and toxic culture including, not facing up to bad news, ignoring mounting evidence, stubbornness, tunnel vision, refusing to be open and transparent, being institutionalised e.g., ‘groupthink’, and information overload. Similarly, Jackson (2024) reiterates the judgment from Bates and others vs POL, in which Mr Justice Fraser stated that there was “a culture of secrecy and excessive confidentiality” at the Post Office. Similarly, Shaikh (2022:190) describes the Horizon’s ‘cloak of invisibility’; and West (2024) states that the case evidences the failure of governance by successive boards of Post Office Limited (POL).

The above assertions point to the failure of governance, the toxic culture, and institutionalisation, and the role of various stakeholders including the software supplier Fujitsu, the Post Office executives including the CEO, General Counsel, Chief Information Officer, Risk Managers, the Post Office Investigation Division (POID), external consultants and external lawyers. This points to the need for a thorough stakeholder analysis of the various actors, their interests, and roles. This paper thus explores the efficacy of the stakeholder approach to analyse the PO case, the efficacy of any codes of conduct, and lessons learned for developing an ethical and responsible decision-making culture.

4. Findings and Discussion

Stakeholders in the scandal included: Post Office executives including Paula Vennells CEO PO 2012-2019, Chris Day Chief Financial Officer, Alice Perkins Chairwoman of the Post Office 2011-2015, Tim Parker former Post Office chairman, Angela van den Bogerd, PO business improvement director, PO senior IT executives Mike Young and Lesley Sewell, PO general legal counsels - Susan Crichton, Chris Aujard and Jane MacLeod, Jarnail Singh former PO Criminal Lawyer, PO Investigation Division (POID), Cartwright King lawyers for the PO, Fujitsu Services Limited, Richard Christou, CEO of Fujitsu 2000-2004, Rod Vawdrey, executive chairman of Fujitsu Services Ltd, with responsibility for UK operations 2011-2014, Gareth Jenkins Fujitsu Chief IT Architect and Horizon engineers, Fujitsu whistleblower Richard Roll, UK Government Investments, Department for Business & Trade, National Federation of Sub postmasters, the 900+ Sub postmasters, Second Sight Support Services Limited including Ian Henderson, forensic accountant, Sir Ed Davey postal affairs minister 2010-2012. This is not an exhaustive list.

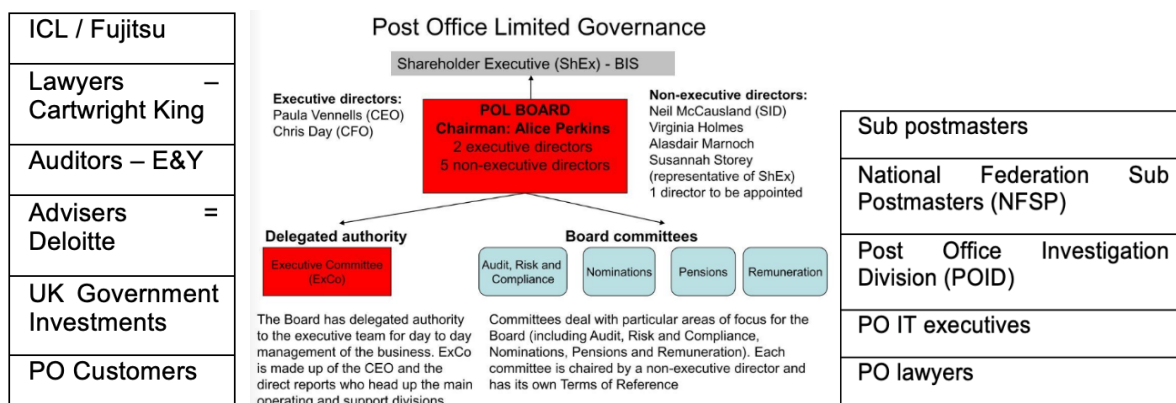


Figure 1: Stakeholder map of key stakeholders in the PO Horizon IT scandal (Adapted from Yumpu, 2014).

One drawback of providing a stakeholder map is that it does not provide an account of the personal experience of the different actors. The plight of the Sub postmasters included suicides, bankruptcies, loss of livelihoods and homes, mental health treatment including electroshock therapy, criminal prosecutions, prison sentences, victimisation, and public humiliation. One Sub postmaster was jailed when she was pregnant.

Other significant issues are that the PO does have a Code of Business Conduct, reviewed by the Institute of Business Ethics. The code requires mandatory training (PO, 2024) and is dated 2024. However, it is not yet known

whether the code existed at the start of the Horizon IT scandal in 1999. The PO ethical decision-making model is shown in Figure 2 and the current whistleblowing mechanism is called *Speak Up*.

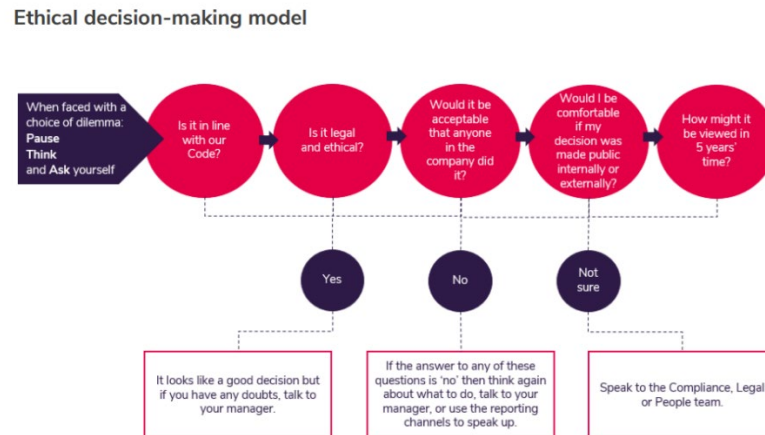


Figure 2: PO Ethical decision-making model, 2024.

5. Conclusions

What is clear is that PO executives did not abide by any ethical code that existed at the time of the Horizon IT scandal. And the Sub postmasters that raised concerns about Horizon IT were more likely to be prosecuted than protected. Paula Vennels gained a degree with Economics from University of Bradford and was ordained in the Church of England. According to the BBC she earned over £5m during her time at the Post Office (2024c). Did her highly paid role and the need to focus on PO profits lead to lapses of ethical judgment? This case calls into question the governance, leadership, and training of senior executives.

Moon and Bonny (2001) provided a model of business ethics that is based on building an ethical and responsible decision-making culture. Based on a survey of FTSE 350 companies a model was devised to explain that most companies formulate their values into mission statements and produce written codes of conduct. Nevertheless, unless genuine steps are taken to build and maintain a responsible decision-making culture, the written statements and codes may not be worth the paper they are written on. Figure 3 Indicates that a holistic approach is needed with leaders as role models, performance systems that are effective, and third-party verification.

IDENTIFY	COMMUNICATE	BUILD AND MAINTAIN A RESPONSIBLE DECISION MAKING CULTURE				
Values/mission statements	Codes of conduct	Feedback gathering and analysis	Functional responsibility	Education and training	Performance reviews/ standards	External assessment
Articulation of what the company stands for	Common framework to guide behaviour	Stakeholder views	In-house expertise	All employees	Setting decision making as well as financial performance measures	Best Practice
Top management commitment	Code should emphasise principles over procedures	Surveys / focus groups / interviews	Leadership	How wrongdoing occurs	Key Performance Indicators	Objectivity & Independence
Management consistency between values and actions	Developed and supported by both management and staff	Diagnostics	Corporate Governance needs	Realistic examples	Rewarding responsible behaviour / penalising inappropriate behaviour	Public Confidence
		Whistle-blowing mechanisms	Accessible to employees / management	Sensitivity to diverse employee groups		Verification
			Ownership			

Figure 3: Building an ethical and responsible decision-making culture (Moon and Bonny, 2001).

With even a cursory examination of the Post Office scandal a reasonable person would conclude that many of the above recommendations were lacking. There are clear implications for governance, management, and leadership. Governors need to ensure that there is critical oversight of key risks. In the case of the PO scandal the key risks were IT related. Yet, managers should have ensured that errors in the system were identified and corrected without finding Sub postmasters at fault.

Leaders in the organisation clearly colluded to present the rosier picture they could about the Post Office by concealing the problems. This meant leaders became blind to ethics and integrity. Managers ruthlessly investigated Sub postmasters and pursued them with false accusations. The Post Office scandal is yet another reminder that the education of leaders and managers needs to be based on ethics and integrity rather than the ruthless pursuit of profits. Questions remain – where did the funds the PO say were stolen and reclaimed from Sub postmasters go? Who defrauded the Sub postmasters by forcing them to pay for these errors? Will there be restitution? What changes have the PO made to its working practices? What are the key lessons learned that can be applied to other organisations?

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