

Design of a Post-Completion Auditing System for Organizational Learning

The Post-completion auditing (PCA) of capital investments involves a formal review of a commissioned investment project, focusing on a comparison between the pre-investment estimates and the actual achievements after completion. Accordingly, PCA can be considered as one formal control system within a company's total management control system package, which comprises various formal and informal controls. There are a large number of companies conducting PCA in the Anglo-Saxon countries, and many companies in other countries have also adopted PCA. Research suggests that a company's major objective in implementing PCA is the enhancement of organizational learning (OL) for future capital investment. It has been suggested that PCA information has the potential to aid a company to avoid previous mistakes and in systematically identifying successful processes that can be repeated in future investment projects. Furthermore, PCA scholars emphasise the fact that the appropriate design of PCA systems, particularly with regard to PCA reports and aspects of their communication, is a prerequisite for effective knowledge transfer and sharing, and hence for organizational learning. Commonly referred-to aspects of

PCA design are related to the selection of projects for PCA, timing of PCA, the location of responsibility for the PCA system, persons conducting PCA, and the format and communication of a PCA report.

There is little empirical research on the design of PCA systems in general, and on their communication aspects in particular. Consequently, this field study investigates whether or not the design of PCA systems provides a platform for OL. First, with the aid of Huber's (1991) categorisation of OL constructs and the PCA literature, an OL-conducive PCA design was synthesised. It was then used as a benchmark for investigating PCA practices in companies. The empirical evidence comes primarily from the 14 PCA adopters, for which enhancement of OL is the dominant objective of their PCA. These adopters were identified during 49 face-to-face interviews conducted in the 30 largest Finnish manufacturing companies.

The findings of this study suggest that PCA design, and specifically aspects related to a PCA report and its communication, can play a major role in facilitating or hindering the extent to which PCA enhances OL. Importantly, it appears that organizational-memory-related issues, such as the inappropriate filing of and difficult access to PCA reports, inhibit the effective transfer and sharing of investment experiences. Additionally, a lack of improvement proposals, failure to institute systematic follow-up, lack of interactive forums for the interpretation of results, and restricted dissemination of PCA reports appear to have a negative effect on learning potential. Furthermore, the findings support the contention that reliance on alternative methods of managing investment knowledge (e.g. utilising central expertise and experienced internal resources) can diminish the willingness of smaller companies to develop PCA as an OL tool. ■