

You may have noticed that there is a recession on. You may not have noticed that the credit crunch and ensuing collapse of global stock markets have delivered something of a riposte to the philosophy that has dominated all political economies since the late 80s.

I refer, of course, to the Efficient-Market Hypothesis (EMH), which holds that markets are 'rational' or 'informationally efficient' (*sic*) and cannot be outperformed except through luck. (EMH is understandably a little coy in the matter of insider trading, which frequently provides opportunities to outperform the market but where the only 'luck' involved is that which has put the perpetrator in the right place at the right time.)

The current Great Recession (like – in hindsight – the speculative bubble that preceded it) has called into question a widely-held faith in rational markets and seen a swing in sentiment towards 'behavioural economics', which acknowledges the seemingly sensible view that, sometimes, people do the strangest things.

We are now invited to believe that markets are subject to what Alan Greenspan, the recently-retired chairman of the Federal Reserve Board in the USA, referred to as "irrational exuberance". His comment, buried in an otherwise dull report, triggered an immediate collapse in stock markets around the globe.

It would appear that the Masters of the Universe had not previously contemplated the possibility that they were behaving irrationally. The mere suggestion was so alarming that traders all over the world began to sell in the new-found conviction that every other trader was mad, bad or both.

The rest, as they say, is history.

It would appear, therefore, that even really clever people – albeit not necessarily *emotionally* intelligent people – are capable of falling for a good sales pitch. So maybe we shouldn't be too hard on ourselves when we consider an accusation frequently levelled at buyers in the L&D industry.

Too often, it is said, buyers purchase some classroom time and

a few trainers when what they really wanted was improved organisational performance. Surely, that is the training equivalent of looking for a new home but spending all the money on a pile of bricks?

Caveat emptor: buyer beware! But of what? Sharp suited salesmen? Defective goods and services? Empty promises? All of the above and more besides, actually. The L&D industry must be one of the most dysfunctional 'markets' in existence. There can't be many industries where what is purchased is so far removed from what is actually sought. Buyers say they want knowledgeable people: suppliers provide a teacher. Buyers draw up a tender for an intervention that will deliver improved skills: suppliers respond with a two-day workshop and some handouts. Buyers seek more effective leaders: business schools offer up an MBA.

It would appear that buyers are content to provide the ingredients for improved workplace performance but prefer to leave the cooking to someone else.

Training suppliers must be the bane of procurement departments the world over. Heaven, from the standpoint of a buying specialist, is a commodity in a permanent state of over-supply: an undifferentiated generic product lacking any distinctive qualities, offered for sale by an army of aggressively competing, anonymous providers. What economists call a 'perfect market'. And therein lies the problem.

L&D providers have historically been very successful at creating an imperfect market by differentiating their services. With more than 30,000 books on management and leadership already in print and a further 3,000 published each year, it's clear that an enormous amount of effort is going into creating the illusion – if not the reality – of difference.

Let's get some clarity into the discussion. Buyers want interventions that generate improved workplace performance. They should simply tell the suppliers what performance needs to be improved and pay them when they deliver it.

Now that's rational. ■



TRANSFER AND APPLICATION

In a series looking at the issues surrounding the transfer and application of learning, **Robert Terry** calls for more rationality in the L&D buying process

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