

**EXECUTIVE SUMMARY**

# Upskilling, Reskilling, and *the talent pipeline* nobody is planning for.

A year of research into how retail and consumer goods businesses should respond to the simultaneous arrival of AI, demographic decline, and the quiet collapse of the entry-level roles where operations managers used to learn the business.

This document is a summary of a more comprehensive blueprint for success.

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## I. WHAT IS HAPPENING

# The quiet collapse of the training ground

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If too many lower-level jobs disappear, it will generate new problems. For example, if too many warehouse goods receivers, pickers, and load marshallers are replaced by robots or other automation, how do the operations managers gain the experience they need to do their roles well? How effective would it be just to train novice managers? If they don't gain experience on the way up, where do the next generation of warehouse managers come from and what is the ultimate knock-on effect on the availability of experienced logistics or supply chain directors?

*"In a recent KPMG survey, 31% of CEOs said AI will reduce opportunities for early-career employees to build judgment through experience."*

KPMG 2026 CEO OUTLOOK

Many companies, either pure play e-commerce businesses or omni-channel retailers, will have a call centre to take calls from consumers. A lot of companies have identified their call centres as ideal places to replace human agents with AI agents.

What we can say with a fair degree of confidence is that at some point in time, call centre management will need fewer human agents, but those that are needed will be focused on the more difficult queries. How do you build the experience to be a better agent able to manage the difficult queries well unless you built some experience to really understand where the conversations start and how they progress?

One key forecast we can make is that talent management and development is going to become much more critical than it is today. Company leadership teams will have to focus on how they address this issue, to make sure they maintain a sustainable business and continue to satisfy customers, shareholders, and investors.

## I. WHAT IS HAPPENING

# The maths of recruitment is getting harder every year

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Every organisation has relied, to some degree, on hiring its way out of talent gaps. The data on how well that works is now uncomfortable reading.

	External candidates	Internal candidates
<b>Senior leadership hires</b>	34% fail within two years	Only 24% fail
<b>Performance</b>	39% of external hires would perform better as internal promotions	3.5× as many internal candidates would be more engaged
<b>Cost per new hire</b>	\$4,129 higher than transitioning an internal candidate	

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Source: *SHRM and Harvard Business Review*

37% of employees say opportunities for career advancement elsewhere would convince them to leave their current job. 27% say they would leave for the chance to learn and develop new skills. 80% of employees say they lack skills for both current and future roles. On the other side of the same coin, 94% of employers say a succession plan improves engagement, 62% of employees say they would be significantly more engaged if their company prioritised succession planning, and 34% of employees say they are staying specifically because they foresee an opportunity to be part of the future growth.

If some of this transpires, recruiting from competitors to fill key vacancies may become much tougher, and payroll costs may increase significantly to stop key employees leaving and to attract new hires away from safe jobs they currently hold.

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*"The war for talent is now unwinnable on hiring alone."*

UPSKILLING AND RESKILLING WHITE PAPER · MARTEC INTERNATIONAL · 2026

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## I. WHAT IS HAPPENING

# Why this cannot wait for the picture to clear

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*"31% of CEOs fear AI limiting critical thinking ability through overreliance on AI for decision making."*

KPMG 2026 CEO OUTLOOK

CEOs commented in recent surveys on a concern that AI doing too much of the work or making work easier will risk diminishing people's critical thinking skills. This can't be allowed to happen, because of the risk of hallucinations becoming prevalent, especially in AI applications trained on insufficient data.

### The foundations cannot be built retrospectively

Recent surveys suggest that it will be 2 to 3 years before AI investments generate any ROI at all. So, the foundations need to be built now and the biggest two are good quality data to train the models with, and people with sufficient industry skills alongside AI awareness.

### A lesson from the last technology wave

We shouldn't over-estimate how fast this will all take place. In 2009 Martec published a research report on retail e-commerce. At that time, e-commerce was developing, but companies were making serious mistakes in how they approached the market opportunity. 17 years later, e-commerce is doing quite well, but still with a couple of issues, most notably the level and cost of returns. It took the decade after 2009 to get e-commerce and omni-channel to be sustainable. Something similar is likely to apply to AI, though the timing may be different.

Which means the companies that wait for the picture to clear will find themselves trying to catch up against those who built quietly through the uncertainty.

## II. A DIFFERENT WAY

# Talent development as a discipline, not an event

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Upskilling and reskilling their workforce has become a key concern for many companies and CEOs. Skills are driving employee recruitment much more than qualifications. At the same time, AI is changing the skills that companies will need in future, the skill mix of their workforce, where existing jobs will disappear and new ones created. No one knows how this will play out yet, or how long it will take for everything to become clear.

Talent development will become something you need to do, in varying degrees, for every employee that you wish to stay with the company. At certain levels and in certain critical roles, succession planning should be layered on top of regular talent development.

This paper is based on a year's research into this whole area. We have documented a comprehensive approach to planning upskilling and reskilling, progressing from entry-level positions to top management, aiming to have a pool of people ready to fill the next-level positions as vacancies are created.

### Three things hold this methodology together

**A plan that phases investment as people progress.** The methodology budgets upskilling at the point each person is ready to move up, not as a single upfront training spend. The cost curve follows the people, which makes the whole thing financially sustainable over years rather than quarters.

**A business case your CFO will actually approve.** The ROI is mapped to the P&L, the balance sheet, free cash flow, and the internal rate of return, not to training hours or course completions. That alignment is the difference between 'approved' and 'parked'.

**Personalisation without breaking the bank.** Two levels: a generic learning personalized to each role, then lightweight per-person adjustments managers can make when someone already has a skill. Most of the personalisation value comes from the second level, and most of the cost is avoided there too.

**Succession planning** can build on this further for those identified as capable of being developed into key roles in the organization.

## Plan the need before you plan the training

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We recommend talent development planning, sometimes called workforce planning, for the entire firm eventually, and more detailed succession planning for sections of the senior management and individual contributors in key positions. It may well start with one pilot department and build up from there.

The planning is simple in structure. Number Needed carries forward from the workforce budget, how many people the business plan requires in each role. Number in Post is how many you have today. Three attrition forecasts come next: two for external departures and retirement, one for internal moves and promotions. The Gap is Need minus total attrition. That is the forecast of how many you need to recruit externally or train up internally.

### Start with one department, not the whole company

You should at least do this for every critical department in the business. What defines critical? The profit contribution the department makes. We strongly recommend that you start with a pilot department, learn the lessons carefully, and add departments at a pace you can support. In retailing the big two are Buying and Merchandising (often called Category Management in food retailing) and Store Operations. Either start with the one with biggest need or the one with the most supportive leader, or the one with both if you are fortunate enough. When the head of the function really takes ownership, you are halfway to success.

## Knowledge, skill, behaviour, in that order

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Knowledge training is a stepping stone to skill, and you often need a collection of skills to be regarded as competent in a subject. Skills develop through practice. Competency is a combination of knowledge, skills, and behaviour. Behaviour is what you do with the skills when you have them. How many people have attended a class in the past and never used the knowledge afterwards?

This is why a working learning path is more than a stack of classes. Each path combines e-learning, reading from an industry knowledge bank, emailed exercises with feedback, optional live instructor webinars, and at least one company-specific project with manager coaching. The project is where the skill moves into behaviour.

### Two levels of personalisation

Two levels of personalisation matter for the wider audience. The first is at role level, what industry skills to add to the generic path for a specific role alongside critical thinking, AI fluency, emotional intelligence, project management, and so on. The second is at individual level, managers can grant passes on specific elements where someone demonstrably already has the skill from a previous employer, a past appraisal, or a recent project. Most companies over-invest in the first and under-invest in the second.

### The people who study at home

Track people who study at home. These people are often more highly engaged and committed to developing themselves. They should get more 'credit' in considering them for promotion when the time comes.

## Deciding who gets which intervention

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The 9-box talent model is a tool for analysing employees' current and potential levels of contribution. It aids in directing investments towards individuals who promise the highest return on investment, and helps create tailored development plans, inform succession planning, allocate resources efficiently, and foster open dialogue about talent management.

### Three steps, in order

1. **Performance assessment.** Low, medium, high, using appraisals, KPIs, project work, and mastery tests. Multiple manager inputs reduce bias.
2. **Potential assessment.** Low, medium, high, based on the manager's judgement of upward trajectory, a harder call than performance because it rests on judgement as much as data.
3. **Plot every person in the role on the nine boxes.** The grid is the starting point for the conversation, not the answer to it.

### An honest note on the method

The 9-box grid is highly prone to subjectivity, and human emotions can lead to biased employee ranking. This can lead to stress and employee conflicts. Meetings where the talent review is discussed can be quite nerve-racking for both the employees and the managers. Besides the pitfalls, it is still the most widely used HR tool today.

The interesting decisions are what happens next: which box gets which intervention, how AI rollout shifts the rules per box over the next three years, and when a sideways reskill beats a vertical promotion. That is where the real judgement sits, and it is the right conversation to have with someone who has sat through it before.

## IV. THE CFO QUESTION

# A case your CFO will actually approve

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Our proposed approach will help L&D, in conjunction with Finance, produce accurate costings for the necessary investment and estimates of the benefits, showing the ROI in terms of expected profit increase, change in the balance sheet, improvements in free cash flow and the Internal Rate of Return.

### Why L&D has struggled to make the case

In many companies, the senior management of the business functions and the L&D Department have been frustrated over the years in that they can rarely get a good financial case for their L&D investments. More and more CEOs and CFOs are asking for this. However, there is rarely anyone in the L&D Department able to do this. L&D will not have all the financial expertise necessary to build the ROI case to the required level, so they need a financial analyst resource from the Finance Department available to support them.

### Built from the bottom up, not from the top down

The model is built from the bottom up. Individual role KPIs map to specific P&L, balance sheet, and cash flow rows. When a benefit is missed, you can trace it through the model, not to 'training quality' as an abstraction, but to which KPI on which role failed to perform. Remediation gets targeted, not general. That bottom-up traceability is also what gives CFOs the confidence to approve the investment at the front end.

### A worked example of phased investment

Martec once planned a big strategic project for a client that cost £14 million. By detailed thoughtful planning, phasing the stages intelligently, the company concerned only had to find £3.5 million of new money. The rest came from future incremental profits of the earlier stages. This is where the business plan, talent development plan and the financial analysis all join up.

The structuring that makes this possible is bespoke to each business's trading model, cash flow position, P&L shape, and investment cadence. It is not a template you can download, and it is the reason the conversation before a programme matters more than the programme itself.

## V. WHAT TO DO NEXT

# How to apply this to your business

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- 1. Pick a pilot department.** Brian's own criterion applies: the one with the biggest profit contribution, the one with the most supportive leader, or ideally both. Buying and Merchandising and Store Operations are the usual answers in retail. In a consumer goods business, the sales function or the supply chain is often the right starting point.
- 2. Map the annual need.** Get your HR and L&D leaders into the business plan conversation early enough to produce a workforce plan that tracks your 3-to-5-year strategy. The workforce plan is not a separate document from the business plan. It is the business plan, with the people dimension added.
- 3. Have the conversation with Brian.** Specifically about how the financial phasing would structure for your P&L shape, how the 9-Box decisions should shift as AI Agents roll out in your roles, and the traps that kill most upskilling programmes in the first twelve months.

Martec can provide its comprehensive jump start package to help ensure success and reduce overall implementation cost.

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## ABOUT THE AUTHOR



### Brian Hume

Founder & Managing Director · Martec International

Brian Hume founded Martec International in 1987, two years after leaving a senior role in department store retailing. Within six weeks, the business had won Harrods as its first client. Two years later, it had Hewlett Packard in California.

Over the four decades since, Martec has trained learners in 58 countries and worked with clients in 38. Brian has advised retailers and consumer goods companies from FTSE 100 enterprises to specialist independents. The company holds 24 NASBA-certified classes, with the full portfolio scheduled for NASBA certification by October 2026. Brian's hiring policy has always been consistent: every Martec consultant has at least ten years of operational retail experience and has held at least one significant management position before joining the company.

This white paper is the product of a year's research into how retail and consumer goods businesses should respond to the arrival of AI, the ageing of the workforce, and the quiet disappearance of the entry-level roles where operations managers used to learn the business.

*For organisations looking to apply these findings directly, Martec offers private strategic briefings tailored to your specific workforce and industry context. Contact Brian directly at [brian.hume@martec-international.com](mailto:brian.hume@martec-international.com).*