

What is the ROI behind investing in skill management software?

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Introduction



Why visibility into workforce skills drives measurable business results

From talent management to skills gaps to workforce development, organizations across industry face myriad challenges that have the potential to slow – or even halt – operations. As businesses navigate digital transformation, economic uncertainty, and evolving market demands, investing in skill management software has emerged as a critical strategy for sustainable competitive advantage.

Quantifying ROI from skills management

This whitepaper examines the **measurable return on investment (ROI)** organizations can expect through strategic implementation of a skills management platforms. Along the way, we'll show how companies implementing comprehensive skill management software solutions achieve significant returns.

Organizations see measurable returns through:

- 🕒 Reduced time-to-productivity
- 🔄 Higher retention and mobility
- ⤴️ Improved strategic workforce planning

We'll also demonstrate how these benefits add up to measurable financial returns and long-term strategic advantages. By connecting skill management software directly to productivity, retention, and workforce agility, this whitepaper makes the ROI case clear: **the truly skills-based organizations can save on costs while building a stronger, more resilient workforce.**



The problem: The modern workforce challenge

The skills gap crisis

The global economy is experiencing an unprecedented skills gap that threatens organizational growth and competitiveness. According to research,

Key insight:

87% of executives and business leaders say they face – or expect to face – a skills gap in their organization.¹

More than just a hiring challenge

They also believe that recent college graduates “often lack the required competency level for key skills”. This gap represents a hiring challenge. However, it is also a fundamental barrier to organizational agility and growth.



2025 reskilling pressure

Going further, the World Economic Forum predicts that **50% of all employees will need to reskill by 2025** to respond to advances in technology.² This massive reskilling requirement places enormous pressure on HR departments and organizational budgets, making the case for systematic, technology-enabled approaches to skill development and management.

Traditional approaches fall short

Organizations have historically relied on degree requirements, years of experience, and subjective assessments to make talent decisions. However, research reveals significant flaws in these traditional approaches. Organizations adopting skills-based approaches to talent management, for example, report up to:

Key insight:

34% longer employee tenure and 5x better predictive accuracy in job performance... compared to traditional hiring methods and 2x better than relying on work experience.¹

Lack of development = employee churn

Additionally, a 2018 survey by the Society for Human Resource Management (SHRM) found that **77% of employees who left their jobs could have been retained**, many of whom blamed their departure on a lack of career development opportunities.³

This is further evidenced by research that shows more than **80% of workers' moves to new roles involve a change of employers.**⁴ This means that workers may have the skills necessary for more demanding roles, but do not have such opportunities at their current organizations.



Pitfalls of traditional approaches to talent management

Aspect	Traditional approach
Data Tracking	Skills tracked in spreadsheets or paper records
Visibility	Limited to managers' knowledge and manual updates
Audit Readiness	Time-consuming audits and missing records
Training Decisions	Reactive-training after issues occur
Workforce Planning	Based on job titles or seniority
Efficiency	Manual reporting and data duplication
Risk Management	High-unnoticed gaps lead to downtime

When Skills ≠ Qualifications

58% of employees who believe their skills do not necessarily match their qualifications or work history and the 46% who think their organizations place too much importance on job history when hiring⁵ – and you have a potentially very **costly personnel issue**.

The hidden costs of ignoring skill gaps

Skill gaps carry both visible and hidden costs. Organizations that ignore them risk:

-  **Lower productivity.** Teams without required skills take longer to finish work and often produce lower quality output.
-  **Higher turnover costs.** When employees feel under-prepared or stagnant, they are more likely to leave. Replacing staff involves recruitment, onboarding, and lost institutional knowledge.
-  **Loss of competitiveness.** Companies that can't adapt their workforce fast enough fall behind more agile rivals.
-  **Inefficient training spend.** In the absence of clear insight into skill needs, training programs are often generic, unfocused, and wasteful.

The ROI impact of doing nothing

Companies that fail to address skills gaps risk losing nearly a full month of productivity per employee each year.⁶

These effects ripple across operation, and strategic growth – not to mention customer outcomes. Closing the gap will of course require you to invest in training. However, you'll also need to take things a step further, by creating a **deliberate, skills-based system that gives visibility into workforce capabilities at scale.**





The solution: Strategic skills management software implementation

Defining skills management software

Skills management software is a **comprehensive technology solution** that allows organizations to identify, assess, develop, and deploy employee capabilities strategically.

These platforms integrate with existing HR systems to provide **real-time visibility** into organizational skills, identify gaps, and facilitate targeted development initiatives.

Modern skills management platforms typically includes

-  Skills assessment & mapping
-  Gap analysis
-  Learning path creation
-  Internal mobility tools
-  Predictive analytics

The skills-based organization model

A skills-based approach to recruiting and talent management can help employers **expand talent pools** and **retain great workers**, even in the face of economic uncertainty. Skills-based organizations demonstrate several key characteristics. In this section, we'll provide an overview of the most defining.

Enhanced sourcing capabilities

By creating skill-based job postings, organizations often notice an increase in applications from larger pools of workers. Employees also notice benefits in the form of salary increases – especially in roles that previously required degrees – and tend to have 20% higher retention rates than degree-holders in the same or similar positions.⁷

Improved matching accuracy

Shifting to skills-based job descriptions makes **hiring more precise**. Organizations using skills-based hiring frameworks – which measure specific candidate skills such as problem-solving – reduce mismatches by ensuring applicants' actual abilities align with role requirements.⁸ In practice, this leads to stronger candidate pools and better fit between employee capabilities and organizational needs.

Systematic career development pathways

Skills-based organizations can **map clear growth paths** for employees by focusing on existing capabilities and filling gaps with targeted training. This approach reduces dependence on external hiring and creates a more resilient internal talent pipeline.

Technology-enabled transformation

Companies are beginning to use **AI tools** in training and skill development to make learning more adaptive and tied to performance metrics. Evidence shows that AI tutors, adaptive systems, and personalized feedback can improve outcomes compared to traditional methods.

AI-enabled training can improve learning outcomes by 15%⁹ and cut upskilling time by 27%.¹⁰

These findings suggest that AI-enabled skills management software could help manufacturing employers deliver shorter, more effective training modules on the shop floor, allowing workers to upskill quickly while keeping production downtime to a minimum.

Integrating AI and ML into skills management systems allows features such as:

-  Personalized learning recommendations based on individual skill gaps,
-  Progress tracking across modules,
-  Adaptive content (i.e. changing difficulty or focus based on learner responses),
-  Predictive insight into what skills may be needed next

“ With AG5, we replaced 16 spreadsheets and cut the time spent on skills assessments by 40%. We can now identify skills gaps instantly across 20+ departments and maintain ISO certification without the manual admin. ”



Gary Morrison

Head of HR, IT & Facilities at Busch Vacuum





The outcome: Measurable returns

Quantifiable financial returns

Organizations implementing skills management software achieve measurable financial returns across multiple dimensions. The most significant returns stem from:

-  Improved retention
-  Faster time-to-productivity
-  Enhanced internal mobility.

Retention improvements

Workers without degrees tend to stay in their jobs longer than workers with degrees, and skills-based hiring practices help organizations access this more stable talent pool.

Cost-saving insight:

*Considering the average cost to replace an employee ranges from 50% to 200% of their annual salary, organizations that **reduce turnover by even 10-15% through better internal mobility can achieve significant cost savings.**¹¹*

Accelerated time-to-productivity

Skills management software enables organizations to identify skill gaps before they impact productivity, create targeted onboarding programs based on individual skill profiles, and provide continuous learning pathways that accelerate capability development.

Enhanced internal mobility

Internal mobility powered by **skills-based matching** creates reduced external hiring costs, faster role fulfillment through internal candidates, higher success rates for internal promotions, and improved employee engagement and career satisfaction.

Strategic workforce advantages

Skill management software also gives organizations future-focused workforce benefits that extend beyond cost savings. The biggest advantages come from greater adaptability, stronger positioning in talent markets, and smarter workforce planning.

Workforce agility and resilience

AI and demographic shifts are shaping the “next workforce evolution”¹², according to Deloitte, requiring strategies for workforce agility, upskilling, and human-machine collaboration. Skills management software provides the foundation for rapid workforce adaptation by enabling quick identification of transferable skills during organizational restructuring and facilitating rapid reskilling initiatives in response to market changes.

Competitive talent advantage

Skills-based approaches help employers expand talent pools and retain great workers. Organizations with sophisticated skill management capabilities gain competitive advantages through access to broader, more diverse talent pools and better matching of candidates to roles based on capability rather than credentials.

Data-driven decision-making

Modern skill management platforms provide unprecedented visibility into workforce capabilities, enabling strategic workforce planning based on actual skill data rather than assumptions and ROI measurement for learning and development investments.



A strategic implementation framework for proving ROI

To make a strong ROI argument for skills management software, you should compare the costs of implementation to measurable gains.

Key value drivers include:

-  **Cost avoidance.** Using internal talent instead of always hiring externally cuts recruiting and onboarding costs. Reducing turnover is especially valuable: training and replacement often cost a significant percentage of salary.
-  **Efficiency and matching gains.** Skills platforms allow more precise matching of people to roles, reducing mismatches and improving productivity.

Deloitte argues that adopting a skills-based operating model enables better deployment of internal talent, lowering friction in moves and optimizing workforce agility.¹³ Going further, HR analytics literature shows that projects in talent matching, recruitment, and workforce planning yield disproportionate ROI among HR tech investments.¹⁴
-  **Training effectiveness and leverage.** A study on training ROI emphasizes that integrating training into a broader HR and performance system enhances impact – stand-alone training often gets isolated and underutilized.¹⁵ When learning is coordinated with skill gaps uncovered by the software, you avoid redundant or misaligned training spend.
-  **Implementation costs.** These include licensing, system integrations, data migration, configuration, training of users and managers, ongoing support, and maintenance.

Forecasting your ROI:

You should project both benefits and costs over a multi-year horizon (e.g. 3–5 years) and apply discounting or sensitivity analysis, since benefits (especially intangible ones) come with uncertainty.

Strategic alignment & readiness

A skills management platform won't deliver without organizational readiness.

Critical enablers include:

- Strong commitment from top leadership
- Capacity in HR (or a center of excellence) to manage change
- Managers prepared to use data in decisions
- Culture that's open to transparency, measurement, and evolving practices

Top challenges in skills-based initiatives:

Because skills transformation involves changing mindsets, **internal education** and **consensus building** often prove to be top challenges in skills-based initiatives. You'll need explicit change plans, manager coaching, and clear communication of benefits and expectations.

Implementation strategy

To capture full ROI, the skills software should touch the entire talent lifecycle, including sourcing, hiring, development, internal mobility. A phased deployment works best:

- **Foundation.** Set up a skills taxonomy, connect HRIS/LMS, and run baseline assessments.
- **Deployment.** Implement dashboards, skills matrices, gap analysis, learning path configuration, and matching modules.
- **Optimization.** Monitor adoption and outcomes, refine models, enable advanced features like predictive analytics and insights.

When choosing a vendor or platform, compare:

- ✓ Accuracy and validity of skill assessments
- ✓ Flexibility and integration capability
- ✓ Support for internal mobility, manager enablement, and learning pathways
- ✓ Vendor's track record, support model, and financial stability

Critical success factors

- **Engage business units early**, since they often define roles and understand skill needs
- **Train and enable managers** so they trust and use the new tools
- **Communicate transparently** how it benefits employees (career paths and visibility)
- **Track adoption, business KPIs** (productivity, retention, internal mobility success), and update the business case over time

ADIENT Motor Vehicle Manufacturing

\$70k / year



Saved in employee training

910 hrs



Saved per trainer annually

\$20k / year



Saved in paper & printing costs

800 Excel files



Replaced with one centralized system



Conclusion

Investing in skill management software goes beyond cost savings — it drives strategic workforce transformation and competitive advantage. Research shows that skills-based practices help organizations attract better-matched talent for long-term success.

Financially, the benefits include longer employee tenure, improved performance predictability, and lower recruitment costs. Strategically, they enable workforce agility, data-driven decisions, and inclusive talent practices — helping companies stay responsive and build long-term capability.

The question is not whether to invest in skill management software, but how quickly you implement its capabilities to capture the significant returns available to early adopters.

“ AG5 helped us eliminate 800 documents, save \$90,000 a year, and free up an entire FTE in training capacity. It’s not just more efficient—it’s a smarter way to run our factory. ”



Tim Clansey
Training Coordinator at Adient



Ready to see the ROI of real-time skills and compliance tracking?

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37% time savings every week on administrative work and reporting



Francois van Baal
EHS Training & Compliance Coordinator

\$20,000 annual savings per factory through time saving and paper elimination



Tim Clansey
Training coordinator at Adient

8 days time savings per month by replacing Excel spreadsheets



Gert Mijnders
Compliance manager at KLM Cargo

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