

The Direct Sourcing Playbook

The how-to guide for successful implementation

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The Revolution is Coming

Over the last two decades, a growing majority of large companies have counted on Managed Service Providers (MSPs) to drive competition among contingent staffing suppliers, lower staffing mark-ups, and achieve compliance with contingent workforce policies and procedures.¹

Now that today's multi-agency centered model has reached maturity, enterprise staffing buyers are actively considering new strategies to drive next-level program improvements. Leading among those innovations is direct sourcing, which helps companies hire more qualified contractors, significantly faster, and at reduced staffing markups, by building private talent pools out of the growing legions of people pursuing contract work.

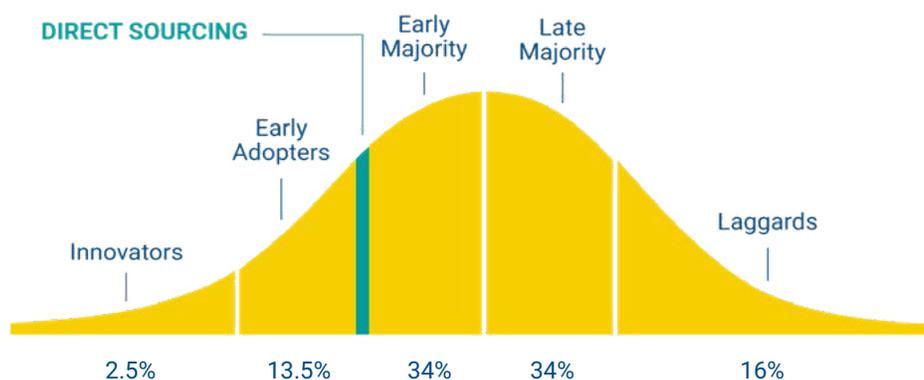
According to market research on direct sourcing by Staffing Industry Analysts (SIA), only 16% of the 158 contingent programs surveyed strongly agree that direct sourcing is effectively implemented today. Another 21% somewhat agree that direct sourcing is effectively implemented, and within two years an additional 23% of programs either strongly or somewhat agree that direct sourcing will be in place. The survey suggests that a boom in direct sourcing is coming, with 60% of the program leaders either already direct sourcing, or expecting to within two years.²

However, as management consultant Geoffrey Moore notes in the landmark book *Crossing the Chasm*, the most difficult step for a new innovation is making the transition in the adoption curve between early adopters (visionaries) and the early majority (pragmatists).

60%

of programs will be direct sourcing within two years.

Innovation Adoption Lifecycle



To best navigate the next two years and create a competitive advantage, contingent workforce leaders need to evaluate their implementation options and map out a game plan to ensure they maximize the potential of direct sourcing to become an effective talent acquisition strategy. And that's what this playbook is designed to help with.

¹ SIA MSP Landscape Report

² SIA research study on direct sourcing, to be published in May, 2021

Direct Sourcing Defined

Direct sourcing is when a company leverages its employer brand to systematically attract and curate a private database of contractor candidates that are organized into talent pools.

Because direct sourcing is more efficient and scalable than multi-agency staffing, companies can pay contractor markups that are up to 50% less than typical staffing agency rates. Direct sourcing is most often outsourced to a third-party as Managed Direct Sourcing (MDS), however it can also be administered by an in-house internal team which is called self-sourcing.³

The Differences vs. Traditional Staffing:

There are three hallmarks that differentiate direct sourcing from the standard way of sourcing talent via multiple staffing suppliers

1. **Use of the Employer Brand:** Direct sourcing uses the company's brand and employer value proposition as magnets to attract candidates.
2. **Forecasting vs. Reacting:** Direct sourcing collaborates with hiring managers to forecast future needs and proactively attract and pre-qualify talent ahead of upcoming job requisitions.
3. **Building a Talent Pool Database:** Direct sourcing builds and curates a private talent pool for the employer, which is an asset that grows in value over time.

Direct Sourcing is NOT

Payrolling of Referrals: Direct sourcing leverages the employer's brand to systemically curate talent pools from multiple sources, including referrals.

Using a Freelancer Marketplace: Direct sourcing builds a private talent community that can't be accessed publicly by other companies or agencies.

The Same as Self-Sourcing: The majority of direct sourcing programs are administered by a third party, which is referred to as Managed Direct Sourcing (MDS).⁴

Staffing Buyers' Priorities

- ✓ Direct Sourcing & Talent Pool Curation.
- ✓ High-Touch Candidate Experience.
- ✓ Diversity and Inclusion.
- ✓ Fully Agile Workforces.
- ✓ Talent Redeployment.
- ✓ Reduced Time-to-Fill.

Sources: SIA, Ardent Partners

The Impact on Staffing Firms

When fully mature, direct sourcing will typically fill 50% to 80% of open positions, which will likely reduce the amount of generalist staffing suppliers. However, hard-to-fill and specialized positions will always be a challenge. By implementing direct sourcing, contingent programs are encouraging their staffing partners to become specialized suppliers who earn higher markups for their value-add.

³ SIA research study on direct sourcing, to be published in May, 2021

⁴ SIA research study on direct sourcing to be published in May, 2021 found that 58% of programs used managed direct sourcing

Elements of a Successful Direct Sourcing Program

Our experience has shown that the following three factors make the difference in maximizing the success of your direct sourcing program:

1. Fully Leveraged Employer Brand

For a direct sourcing program to attract the most high-quality candidates, there must be widespread and effective communication of a strong employer value proposition (EVP) at every opportunity.

Programmatic Job Advertising

Coupling the promotion of a strong EVP with programmatic job advertising software optimizes job ad spending with all the major job sites and niche job boards. This can produce up to three times as many applicants for the same per-applicant cost.

Jobs Linked From Careers Site

Company career sites are a popular source of candidate traffic, with 77% of candidates going there to search for jobs⁵, yet many employers miss the boat by failing to link to their contingent workforce positions. In our research of Fortune 500 career sites, only 6% of companies are linking to their contractor job opportunities.

Inviting FTE Applicants, Alumni & Retirees

Inviting past direct hire full-time employee (FTE) applicants and 'silver medalists', plus alumni and retirees, to join your contract talent community is one of the best ways to jumpstart your database. Aggregate data shows that 40% of FTE applicants are open to contract roles and 27% will join a company's contractor talent pool, if invited.⁶

Social Marketing to Promote Referrals

Not only do 79% of applicants use social media in their job search, but they also rate current employees as the most trusted source of information about a company. Advanced programs have a regular promotion schedule on LinkedIn and other social media sites, as well as frequent messages to employees, hiring managers, alumni, and contractors to generate referrals.

300

Applications in 24 hours from a Raise job ad.

77%

Of candidates visit careers pages.

40%

Of FTE applicants are open to contract.

One leading direct sourcing program said that a lack of effort in encouraging referrals was their biggest "missed opportunity."

⁵ Gallup State of the American Workplace Report 2017

⁶ LiveHire data from FTE applicant invitation campaigns

2. Systematized Forecasting and Talent Pool Curation

Direct sourcing is most effective when program leaders faithfully execute a regular process to forecast future contingent talent needs, and then utilize technology to attract, pre-screen, and place candidates into talent pools before the job requisitions need to be filled.

Look Back Before Looking Ahead

The best place to begin the forecasting of talent pools is to look back at the previous year's contingent hiring to build a baseline. In the analysis of the job requisitions make sure to include the location, the job description, and both the time of hire (for seasonality) and the time-to-hire (for difficulty). Then combine similar jobs by location and estimate for each how many placements there were in the previous year. This is your talent pool baseline to take to hiring leaders and ask for expected changes in the next year.

27% of candidates in pre-qualified talent pools will accept a new job invitation.⁷

Mastery of Talent Sourcing & Curation

In direct sourcing, the practice of filling talent pools before jobs are posted is called "curation." A curation specialist is a hybrid between an in-house corporate recruiter, who advertises the employer value proposition (EVP) to attract candidates, and a staffing firm recruiter who isn't able to use the EVP, and more typically does proactive sourcing to find candidates. Curation specialists use both advertising and sourcing to fill the talent pools. Then, when the job is posted, the curator will invite relevant talent pooled candidates to apply.

Proactive Talent Pooling Pays Off

Direct sourcing programs find that proactively curating and talent pooling candidates ahead of time will generate better results than job advertising.

According to a LiveHire study of 15,000 contingent hires, it was found that in comparison to applicants from job advertising, those from proactively curated talent pools had:

31% Faster time-to-submit.

Ongoing Forecasting Cadence

After establishing the initial talent pools, the direct sourcing program manager should establish regular communications with HR and hiring leaders to continually tweak the forecast and required qualifications of the talent pools. In our experience, having at least 10 pre-qualified candidates for every hire guarantees a placement will come from the direct sourcing pool. It is at this point that the talent pool is full enough to implement an exclusive priority window for the direct sourcing team to fill the role before it is offered to the other staffing suppliers.

24% Better submittal-to-hire ratio.

30% Fewer candidates withdrawing.

⁷ LiveHire data published March 2019, including 1M past applicant invites, 270k employer messages across 81 employers

3. Using Advanced Direct Sourcing Technology

Platforms specifically built for contingent workforce direct sourcing are much better suited to a successful practice than full-time-employee (FTE) applicant tracking systems (ATS). In our experience, the following features and functionality enable rapid scalability of direct sourcing.

Talent Pooling with AI Matching

To be most effective, direct sourcing requires specialized recruitment software that separates curated talent pools from active job requisitions. The typical ATS doesn't have talent pools as a feature. State-of-the-art direct sourcing platforms also use AI matching to automatically serve up qualified candidates from the talent pools with relevant job opportunities.

Two-Way SMS Text Messaging

Direct sourcing greatly benefits from the ability to communicate with candidates in bulk, using opt-in Short Message Service (SMS) or text messages, as well as email. SMS job invitations enjoy a significantly faster response time than email. Instead of waiting hours or even days for an email response, the average response time of talent pooled candidates to job invitations sent by text is just 17 minutes.⁸

17 min

Avg SMS text response time.

Exceptional Candidate Experience

The timely communication of job invitations and status updates is a critical element in the candidate experience. Best-in-class direct sourcing technology is intuitively effective in delivering a positive experience at every stage of the recruitment, matching, and screening process, resulting in higher conversion rates throughout the hiring funnel.

Easy-to-Update Candidate Profiles

Contingent recruitment requires greater urgency than FTE hiring, with contractor availability and updated resumes being the most critical factors for improving speed-to-hire. Advanced direct sourcing solutions provide candidates with easy to update profiles, which allows them to keep their availability, skills, desired compensation, and work interests current.

What Candidates Want:

- ✓ Fair and simple application process.
- ✓ Engagement in "moments that matter."
- ✓ Timely updates and feedback.
- ✓ High tech, high touch application and support.

Source: The TalentBoard CandE Research Report 2020

⁸ LiveHire data published March 2019, including 1M past applicant invites, 270k employer messages across 81 employers

Self-Sourcing vs. Managed Direct Sourcing

Whether it's through an in-house self-sourcing program managed by an internal team, or through an outsourced, third-party Managed Direct Sourcing (MDS) model, selecting the right approach for your program will define your success. Both options have pros and cons, so let's look at the key elements of each.

The Case for Self-Sourcing

Despite higher start-up costs and implementation risks, self-sourcing offers potentially greater long-term cost savings for companies that have confidence in their internal abilities and the following things in place.

Required: Experienced Senior Leadership with Budget

As with any change management initiative, direct sourcing requires leadership that is experienced with project management, software and process implementation, reporting & analysis, and stakeholder communications. Established relationships with talent acquisition, legal, and business users, plus having the funding to purchase software, and hire & manage the team of dedicated curation specialists, round out the must-haves for in-house self-sourcing.

Required: Talent Pooling Curation Expertise

Talent pooling curation, which is a hybrid between corporate and staffing agency recruitment, requires a widely experienced talent acquisition leader with the proven ability to build and lead a team that both proactively sources and nurtures relationships with candidates over time. The ability to assess, implement, and optimize specialized direct sourcing technology, as well as lead recruitment advertising and referral campaigns, are also critical for success.

The Case for Managed Direct Sourcing (MDS)

Companies that want a fast start and more guaranteed success should consider outsourcing to an MDS provider. From a structural standpoint, an MDS solution typically operates as a supplier within the contingent program, which means implementation requires no changes or friction with the program.

Advantages of Managed Direct Sourcing

When choosing a managed direct sourcing partner, it is important to consider their proven experience and ability to quickly scale a program to achieve a high percentage of placements. Also keep in mind that the curation of talent pools using the employer's brand is a different practice than typical staffing recruitment, and the technology that is used should be specialized for direct sourcing.

You should expect to gain the following advantages from managed direct sourcing:

- Limited or no up-front costs or resources required.
- Rapid launch of a pilot or full-scale program.
- Utilizes proven best practices and technology.
- More predictable results and scaling progress.
- Proven process that lead to fewer issues and less risk.
- Co-employment risks are mitigated by the third party.

Implementing your Direct Sourcing Program

Preparation & Project Planning

Raise has partnered with the SIA to conduct a comprehensive direct sourcing market and best practice study, which is to be published in May, 2021. In the survey results, leading practitioners of direct sourcing programs credited the following factors having the greatest impact on their “organization’s direct sourcing capabilities and performance”;

- ✓ Have clear ownership and accountability of contingent direct sourcing within the organization. (54%)
- ✓ Have clear corporate understanding about co-employment risks and mitigation strategies related to contingent direct sourcing. (50%)
- ✓ Have visible senior-level executive sponsorship of the contingent direct sourcing program. (44%)
- ✓ Have an ROI-based business case for contingent direct sourcing. (42%)
- ✓ Maximize use of employer brand in job advertising and sourcing. (41%)

Key Factors Enhancing Direct Sourcing

To learn from these advanced programs in effectively preparing to implement and execute a successful direct sourcing initiative, the contingent program leadership should look to:

1.

Get senior stakeholders on board. Socialize them to the strategy, use of employer brand, and business benefits of direct sourcing.

2.

Surface barriers and fears. Get program operations, legal, and talent acquisition stakeholders to surface and address potential concerns, barriers, risks, and fears.

3.

Define the project plan. Create a high level plan and assign an owner for each phase, with project timelines and deliverables.

Start With Your Best Opportunities

If your goal is to get as many placements as possible through direct sourcing, a best practice is to initially focus on the roles which you have the best chance of filling.

Best Opportunities Areas to focus your initial direct sourcing efforts	Examples Where Raise provided managed direct sourcing
Repeat positions where there are repetitively frequent needs that can be reasonably forecasted and given a priority window once the pool is full.	Curated nine talent pools with over 2000 candidates for a global consulting firm, within just 60 days of launch.
High-volume or seasonal bulk hiring needs of the same positions where job advertising will effectively attract active candidates.	Hired over 1700 COVID-19 contact tracing and vaccine scheduling workers within five months.
Specific job functions or areas that would benefit from targeted recruitment and sourcing campaigns.	Completely outsourced hiring program of 170 student contractors for a leading energy company.

Defining Success: Realistic First Year Expectations

Since every contingent worker sourced from direct sourcing saves money, the percentage of total placements is the key measure of your program's performance.

In our experience, direct sourcing should be able to fill 50% to 80% of the job requisitions normally placed by staffing suppliers during the first year. Actual performance within this wide range is most determined by:

- ✓ **How repeatable and concentrated the roles are by type and location.**
- ✓ **How accurate the workforce hiring forecasts are for talent pooling.**
- ✓ **How many roles are able to be filled by active candidates coming from job advertising.**

Summary: Use This Playbook for Direct Sourcing Success

Direct sourcing is the leading contingent talent strategy to create cost savings, as well as improve hiring speed, quality, and candidate experience. With direct sourcing still in early stages of adoption, there is a great opportunity for competitive advantage for first movers.

Taking a page from the early adopters of direct sourcing, the playbook for implementation is clear. These are the steps you can take to translate vision and strategy into concrete plans and tactics that will reap the substantial benefits that direct sourcing will deliver.

We are on the cusp of a direct sourcing revolution. We hope this playbook is a useful tool in navigating the opportunities ahead. If you have any questions, feedback, or would like to discuss direct sourcing with a Raise consultant, please don't be shy in contacting us at:

raiserecruiting.com

Profile: About Raise Recruiting

Raise is a new division of the Ian Martin Group - a family of companies that has been transforming recruiting since 1957. Raise is our most groundbreaking venture yet, utilizing the power of direct sourcing to bring new value, efficiency, and performance to a contingent workforce marketplace hungry for fresh ideas and solutions.

Direct Sourcing - Delivered

Managed Direct Sourcing (MDS) integrates a team of dedicated curation specialists, a proven process, and advanced technology into your existing program, with the goal of proactively building a private talent pool of contract workers who are interested in your company.

From advertising, candidate relationship building, and screening through payroll and contractor management, MDS provides streamlined access to qualified contractor talent with no setup costs, no program changes, and no implementation headaches.

Expect Transformational Results

Within the first year, you can expect more than 25% of your contingent hiring to come from direct sourcing at markups that are up to 50% lower than average agency rates.

Beyond the substantial cost savings, with managed direct sourcing, you can also expect:

- ✓ **Reduction in time-to-hire of up to 60%.**
- ✓ **Improved submittal-to-hire ratio by 3-5x.**
- ✓ **Contractor satisfaction scores of 98.9%.**

Raising the value of staffing.

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sourcing consultants.

raiserecruiting.com