



# Direct Sourcing Readiness

Presented by:



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## Executive Summary

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Direct Sourcing has officially transitioned from a "whispered" concept discussed in the back rows of industry conferences to a cornerstone of modern workforce planning. In early 2026, the strategy is no longer a niche experiment for early adopters but a mature, essential solution for organizations looking to reclaim control over their talent supply chain. This report synthesizes a week of intensive collaboration among industry practitioners to provide a structured framework for evaluating an organization's readiness to implement a direct sourcing model.

Direct sourcing, at its core, is the practice of leveraging an organization's own brand and reputation to attract and engage contingent talent directly, rather than relying solely on third-party staffing agencies. During our research sprint, we explored the inherent tensions between internal departments, the evolving role of technology, and the critical importance of candidate experience. The resulting framework moves beyond the industry "hype" to focus on five key pillars: People, Process, Compliance & Risk, Brand, and Technology & Data. By assessing these areas, organizations can move from a reactive, order-taking posture to a proactive, brand-led talent engine that delivers measurable gains in speed, quality, and cost.



## 1.0 Challenge Overview

Despite its maturity, direct sourcing remains a challenging concept for many organizations to grasp with enough clarity to build a sustainable strategic model. The fundamental difficulty lies in the fact that the "right" application of direct sourcing is not universal; it is a unique configuration that must be mapped to an organization's specific culture, talent needs, and existing supply chain. Many companies find themselves stuck in a cycle of "test-driving" various technologies without ever committing to the organizational changes required to make them successful.

The primary challenge is moving past the surface-level promise of "cost savings" to understand the operational complexities of managing a brand-led talent pool. For instance, a financial services firm may face security hurdles that a retail brand does not, while a global healthcare company might struggle with regional compliance variations that a domestic firm can ignore. This report argues that readiness is not a binary "yes or no" but a spectrum. Without a unique evaluation to understand if a company possesses the cross-functional alignment and brand strength required, direct sourcing initiatives often stall at the pilot phase or become "black holes" where candidates apply but are never engaged.

### 1.1 Maturity of the Market

Direct sourcing is no longer in the early adopter cycle; it has become a common external workforce solution over the past decade. Recent market data suggests that for major enterprises, over 70% of sourcing now comes through direct channels rather than traditional third-party agencies. However, this maturity has brought a new kind of fragmentation. The definition and approaches to direct sourcing have become incredibly diverse, ranging from "Direct Sourcing Lite" (scrappy, internal pilots) to full-blown "C-RPO" models (Contingent Recruitment Process Outsourcing) managed by external curation partners.

This diversity has left organizations struggling to evaluate which configuration—and which technology partner—actually fits their specific talent strategy. There is a palpable "market tension" as direct sourcing is often framed as "undermining" traditional staffing methods. In reality, practitioners view it as a natural evolution. As brands invest billions in their public image, it becomes irrational not to use that logo to attract contingent workers who are already brand-loyal. Rather than replacing agencies entirely, direct sourcing allows organizations to optimize their supply chain, leaving complex, niche roles to specialty vendors while capturing high-volume, repeatable roles through their own brand.



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#### Ah-ha Moment:

A key realization for the group was that a metric is meaningless in a vacuum. A participant noted, "a turnover rate of 20%... means nothing to [stakeholders]... is that good? is that bad?" Data only becomes actionable when presented with context, such as historical trends or industry benchmarks.

## 1.2 Barriers for Implementing

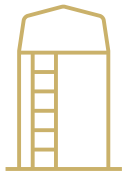
If the benefits are so clear, why have organizations been hesitant to deploy a full direct sourcing strategy? Our research identified several recurring "Why Not" factors:

### Organizational Turbulence



Constant shifts in leadership and "M&A" activity often lead to projects being "scrapped" or put on hold just as they reach the contract stage.

### Internal Silos



A lack of trust between Procurement and HR can prevent the sharing of candidate data. If HR "gatekeeps" the Applicant Tracking System (ATS), the contingent program cannot leverage the silver and bronze medalists from permanent hiring.

### Security & Risk Phobia



In highly regulated sectors, the fear of creating a new "attack vector" or being targeted by "deep fake" applicants through brand-led ads can stop a program before it starts.

### Budget & Headcount



Many programs are told to "do more with less" but are refused the budget for a curation partner or the headcount for an internal recruiter, creating a stalemate.



### 1.3 Impacts of Direct Sourcing

The intent behind direct sourcing is overwhelmingly positive, focusing on "Better, Cheaper, Faster" talent acquisition. However, if executed poorly, the impacts can be detrimental to the brand.

The intent behind direct sourcing is overwhelmingly positive, focusing on the "Better, Cheaper, Faster" trifecta of talent acquisition. However, the transition from a vendor-led model to a brand-led one is not merely a tactical shift; it is a fundamental transformation of the talent supply chain that carries significant implications for every stakeholder involved. If executed correctly, the impact is transformative, but if poorly managed, it can create internal friction and damage the very brand it seeks to leverage.

### ROI Drivers and Potential Benefits

The most immediate and quantifiable ROI driver in a direct sourcing model is the cost delta created by bypassing traditional third-party staffing markups. In a standard staffing arrangement, an organization pays a substantial premium to an agency for sourcing and matching talent. By utilizing an internal or dedicated curation partner to engage talent under the company's own logo, organizations can effectively remove the "middleman" fee. Our research indicates that organizations can realize net savings of approximately 10% per requisition, and in some mature programs, practitioners have seen savings reaching millions of dollars annually as the volume of direct-sourced hires scales.

Beyond the balance sheet, "Time to Productivity" emerges as a massive driver of value. This is particularly evident when targeting specific populations such as alumni, retirees, and silver medalists—those candidates who previously applied and were highly ranked but not hired for a specific role. These "known" workers are already immersed in the organizational culture and understand internal systems, allowing them to reach full productivity significantly faster than a net-new worker who requires extensive orientation.

Furthermore, candidate quality sees a direct correlation to the brand-led approach. When a candidate has a direct line to the brand, the accuracy of submissions improves because the recruiters are dedicated to the business and truly understand what "good" looks like for that specific culture. This often leads to higher conversion rates from contingent to permanent roles, as the "try before you buy" period is based on a more authentic initial match.

# Direct Correlations of Direct Sourcing Actions to Returns

The impact of direct sourcing can be categorized into four key areas of return:

## Efficiency & Speed



By establishing pre-qualified talent pools and "Direct Sourcing Lite" pilots, organizations can repurpose the time typically spent waiting for requisition approvals to instead pre-identify candidates. One organization reported a 12-day reduction in cycle time from job posting to offer acceptance.

## Cost Management



Savings are not just found in markups but in the elimination of the "black hole". When a brand engages its own ATS—mining the "Golden Place" of existing applicants—it stops paying agencies for candidates it already "owned" in its database.

## Experience & Satisfaction



Direct sourcing eliminates the frustration of a candidate talking to 50 different recruiters for the same role at one company. Providing a unified and validated entry point increases candidate satisfaction, reflected in Net Promoter Scores (NPS) hitting 100 in well-run programs.

## Talent Quality



Using real AI to match patterns in career history rather than simple keywords along with proactive candidate farming ensures that the talent pool is not just large, but deep and accurate.



### Important Note:

To realize these returns, the candidate experience must be a priority. If a candidate applies to a brand-led pool and hears nothing, the brand is diminished. Feedback must be valuable and timely to maintain the "warmth" of the pool.

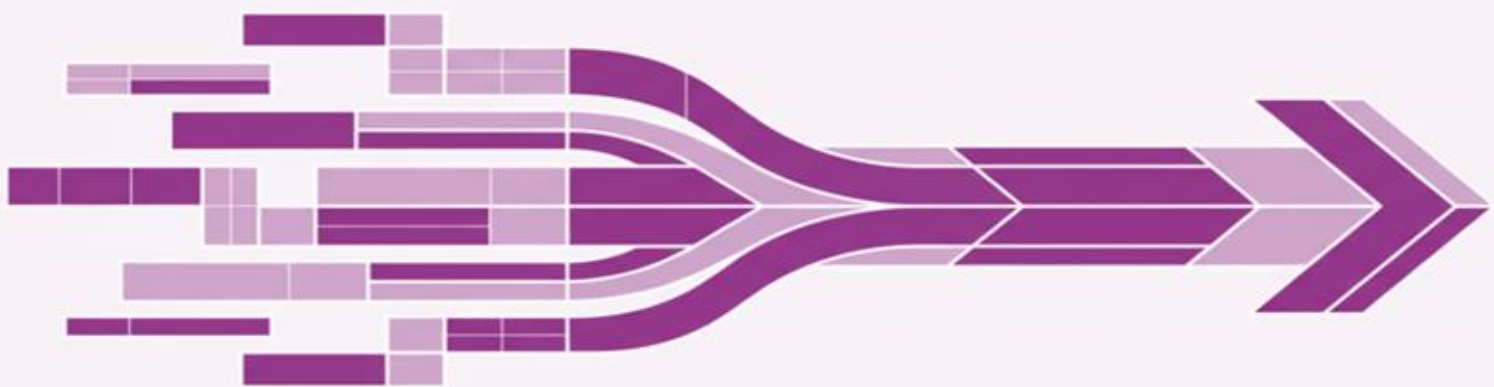




## Supplier Rationalization (MSP and VMS)

Direct sourcing acts as a powerful catalyst for supply base rationalization. For many organizations, the program is a pivot point to raise the compliance bar and reduce the "noise" of underperforming vendors. As the direct sourcing channel picks up high-volume, repeatable roles, it allows the organization to transition traditional staffing vendors into specialty recruitment services focused on niche, hard-to-fill positions where their expertise adds the most value.

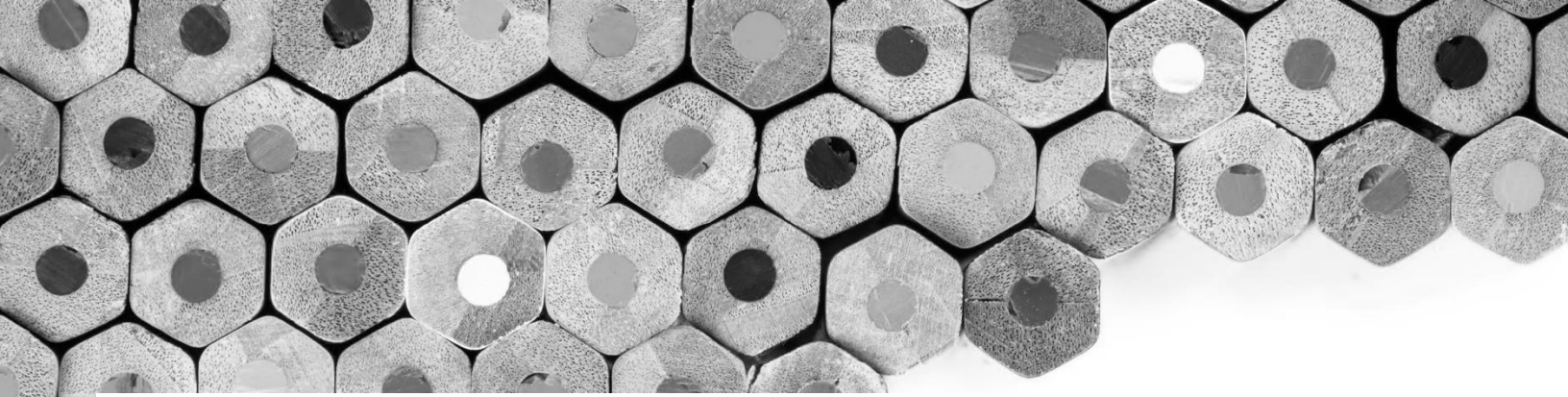
While this creates an inevitable "market tension" as vendors fear a loss of market share, readiness involves managing this transition through transparent communication and clear Rules of Engagement. By removing the repeatable roles from the vendor pool, the remaining strategic partners can focus on higher-margin placements, potentially leading to a "rising tide" that improves the efficiency of the entire ecosystem.



### Important Note:

Direct sourcing should be seen as a "talent play" first and a "savings play" second. If you only focus on the pennies saved, you will miss the true value of building a brand-loyal, repeatable workforce.





## 2.0 Five Pillars of Readiness

Readiness is more than just seeing a single indicator, like high spend, and taking action; it is about measuring the organization's holistic ability to adopt and sustain a new way of working. We have identified five pillars that constitute a "Ready" state.

### People

The "People" pillar represents the most complex and significant hurdle in any direct sourcing journey, as it requires a fundamental restructuring of how internal stakeholders interact with the talent market. At its core, this pillar focuses on the RACI (Responsible, Accountable, Consulted, Informed) model, which serves to navigate the inevitable "push-and-pull" between diverse business units. Achieving cross-functional alignment is not merely a suggestion; it is a prerequisite for program survival. Organizations must secure a unified front between Human Resources, Talent Acquisition (TA), Procurement, Legal, Risk, and IT to ensure the program has the "air cover" necessary to thrive.

### The Cross-Functional Tug-of-War

The tension often begins with the "wall" between Procurement and HR. Procurement is frequently driven by cost-savings initiatives, while TA focuses on quality and speed. Readiness is achieved when these groups stop competing and realize that "labor is labor," regardless of its classification. Legal and Risk must be consulted early to reconcile the "Co-employment Ghost"—the fear that direct interaction with contingent talent creates liability—even though experts argue that behavioral control on the job is the true legal test, not the data-housing method.



#### Ah-ha Moment:

Direct sourcing isn't just a procurement project; it's a "talent play" that requires "organizational courage" to compete with your own suppliers for the same talent.



## Who Does the Work?

A critical decision point is determining who will actually perform the "Source, Match, and Engage" functions. Organizations generally choose between two models:



### Internal Recruiting

Where the organization utilizes its own internal recruiters, typically sitting within the Talent Acquisition (TA) department

**How it works:** Internal recruiters actively mine the company's existing corporate Applicant Tracking System (ATS) to find and engage "known talent," such as company alumni, retirees, and silver or bronze medalists (candidates who previously applied and were highly ranked but not hired).



### External Curation

If an organization does not have the internal bandwidth or specialized headcount, they can choose to outsource the matching and talent pooling functions to an external curation partner, often referred to as a Contingent Recruitment Process Outsourcing (C-RPO) provider

**How it works:** Internal recruiters actively mine the company's existing corporate Applicant Tracking System (ATS) to find and engage "known talent," such as company alumni, retirees, and silver or bronze medalists (candidates who previously applied and were highly ranked but not hired).



### Important Note:

Direct sourcing should be seen as a "talent play" first and a "savings play" second. If you only focus on the pennies saved, you will miss the true value of building a brand-loyal, repeatable workforce.

## Ownership and the Shifting Role of the MSP

There is a growing consensus among practitioners that TA must own or be heavily involved in direct sourcing for it to have long-term longevity. When TA is excluded, they often become territorial, viewing the program as competition rather than a complementary talent channel.

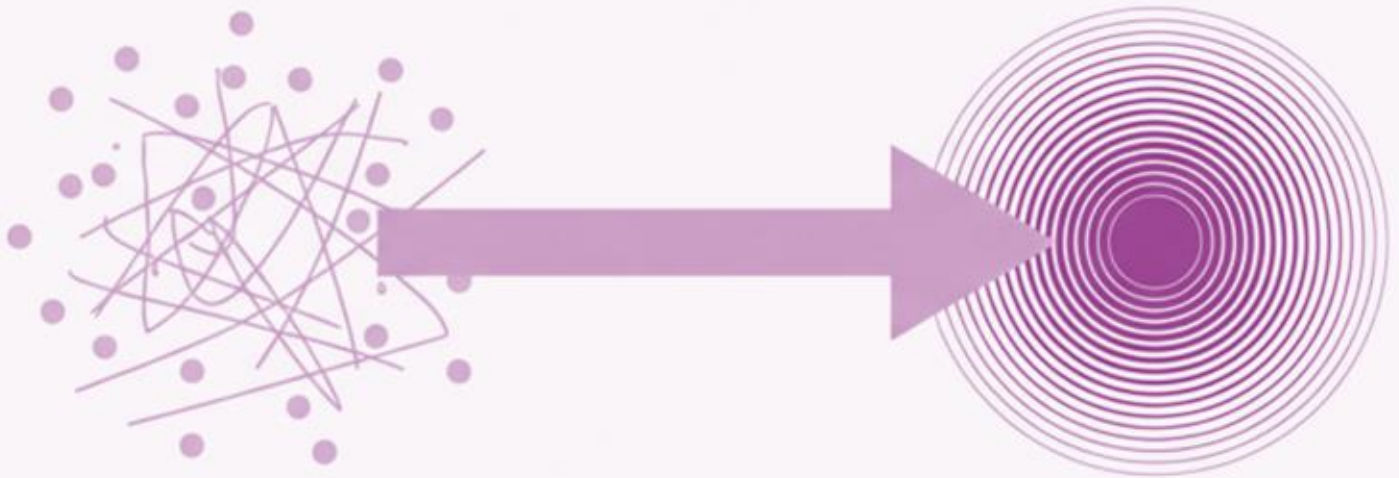
Simultaneously, the organization must define the Role of the Managed Service Provider (MSP). In some mature models, the MSP continues to manage compliance and vendor oversight while the direct sourcing program moves the MSP to a more administrative, background role for brand-led hires. However, organizations must remain vigilant regarding potential conflicts of interest; if an MSP also has a staffing arm, they may not be incentivized to grow a direct sourcing program that disrupts their traditional revenue streams.



## Process

Readiness within the "Process" pillar is defined by an organization's ability to design and sustain efficient workflows that are not just functionally sound, but deeply aligned with the corporate culture and Employee Value Proposition (EVP). It is one thing to have the technology to source talent; it is another entirely to have a frictionless operational roadmap that moves a candidate from initial interest to a confirmed start date without getting bogged down in traditional bureaucratic hurdles. A ready organization views process as the connective tissue between the brand's promise and the candidate's actual experience.

A cornerstone of this readiness is the establishment of clear "Rules of Engagement" with the existing supply base. For example, one effective strategy discussed by the group involves implementing a mandatory three-day lead time (or "priority window") for the direct sourcing channel. During this period, the internal or curation team has exclusive access to a requisition to identify and match talent from the internal pool before the request is ever distributed to the broader vendor community. This specific process change transforms the direct sourcing team from a reactive participant to a proactive first-responder, ensuring the organization captures "known talent" and brand-loyalists first.



### Important Note:

The success of these rules of engagement depends on Requisition Flow. If the business enters a period of low volume, the direct sourcing channel must be able to absorb the dip more gracefully than a third-party vendor who relies on high-volume margins to survive. Organizations must ensure their processes are flexible enough to manage the natural "ebb and flow" of business demand.



Designing these workflows also requires a massive commitment to Change Management. There is an inherent, ongoing tension between the new direct sourcing channel and traditional staffing vendors. If not managed tactfully, vendors may feel they are only being left with the "scraps"—the difficult, low-margin, or highly niche roles that the direct sourcing team couldn't fill. A ready organization addresses this by reframing the vendor relationship; instead of viewing them as generalists, the process should pivot vendors toward becoming specialty recruitment services for hard-to-fill roles. This shift requires a "rising tide" mentality where the direct sourcing program clears the "noise" of high-volume, repeatable roles, allowing vendors to focus on higher-margin, specialized placements where their expertise is most needed.



### Ah-ha Moment:

One participant realized that "Adoption is junk if the end users don't engage". The process must be designed to be as simple for a hiring manager as ordering a coffee. If the workflow requires the manager to log into a new system or learn a separate set of complex rules, they will bypass the program entirely and return to their favorite third-party recruiter.

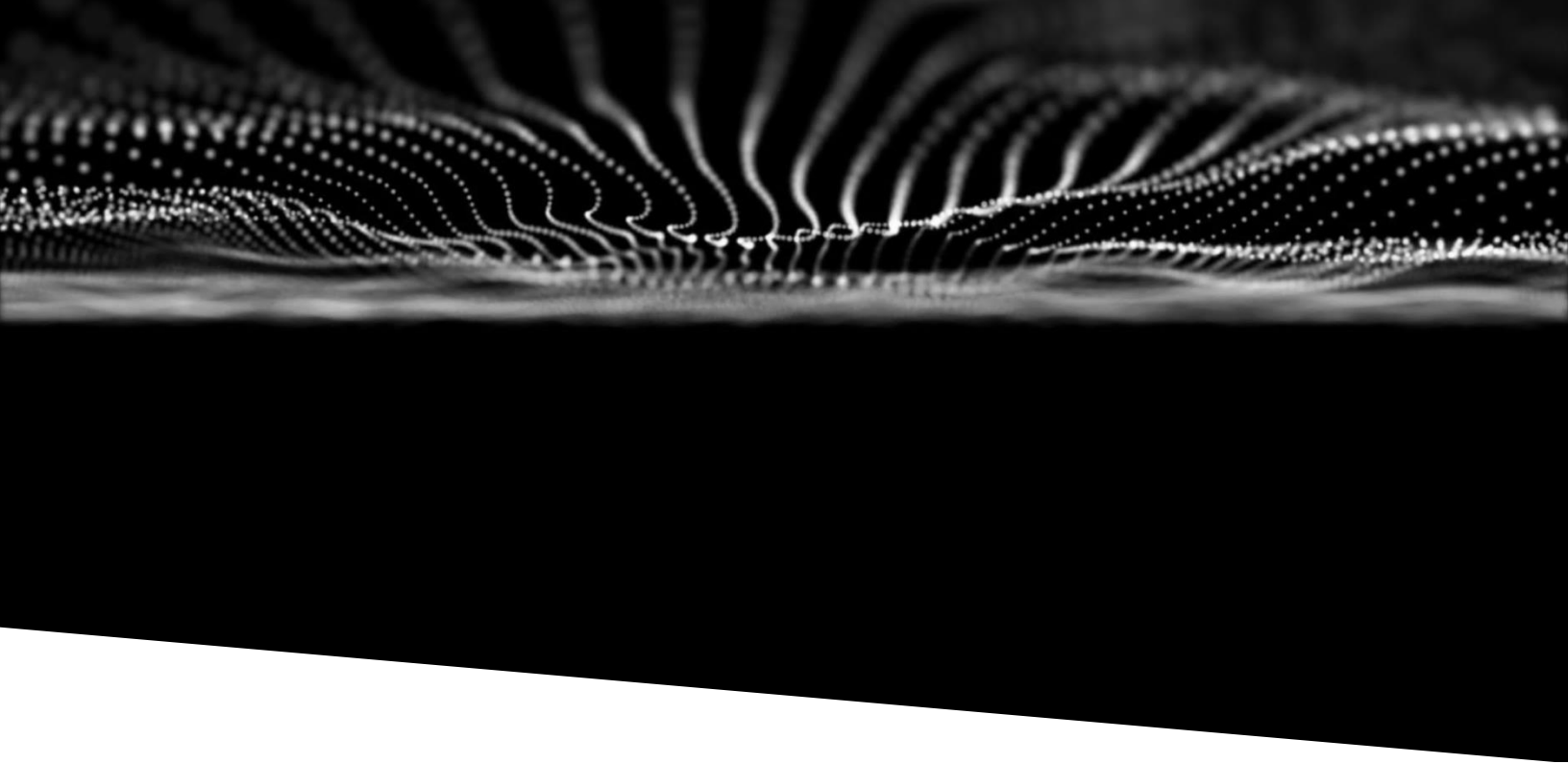
Furthermore, readiness involves a deep dive into Onboarding and Offboarding bridges. Direct sourcing provides a unique opportunity to create a unified and consistent entry point for the company. By aligning the process with the company's EVP, the language used by a recruiter during the initial intake call remains consistent all the way through to the hiring manager interview. This continuity ensures that the worker's experience is fluid, which significantly reduces the risk of "fall-offs" or performance-related early terminations. Ultimately, a ready process is one that is scientific rather than speculative, using historical data to forecast demand and ensuring that talent pools are continuously nurtured so that the profiles inside never grow stale.



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## Compliance & Risk

The "Compliance & Risk" pillar represents a significant mental hurdle for many organizations, often characterized by the fear of the "Co-employment Ghost". Readiness in this area requires a fundamental shift in perspective, moving away from perceived historical risks toward a grounded understanding of modern legal realities. For years, a persistent myth existed that co-housing data for full-time employees (FTEs) and contingent workers in a single system would automatically trigger a co-employment relationship. However, legal experts now clarify that how an organization houses its data—whether in a combined database or separate silos—does not impact employment status under federal law.



**Myth:** Co-housing FTE and contingent data triggers co-employment



**Reality:** Data housing does not dictate employment status under federal law



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Historically, the Office of Federal Contract Compliance Programs (OFCCP) discouraged combining these populations for recordkeeping purposes. However, recent shifts in Supreme Court precedent and a lack of specific guidance have largely obviated these concerns for many practitioners. In fact, segregating data can actually deprive an organization of critical "dashboard visibility" into its total talent spend and economic efficiencies. Readiness means reconciling these old fears so that Legal and HR become comfortable with a unified talent pool.

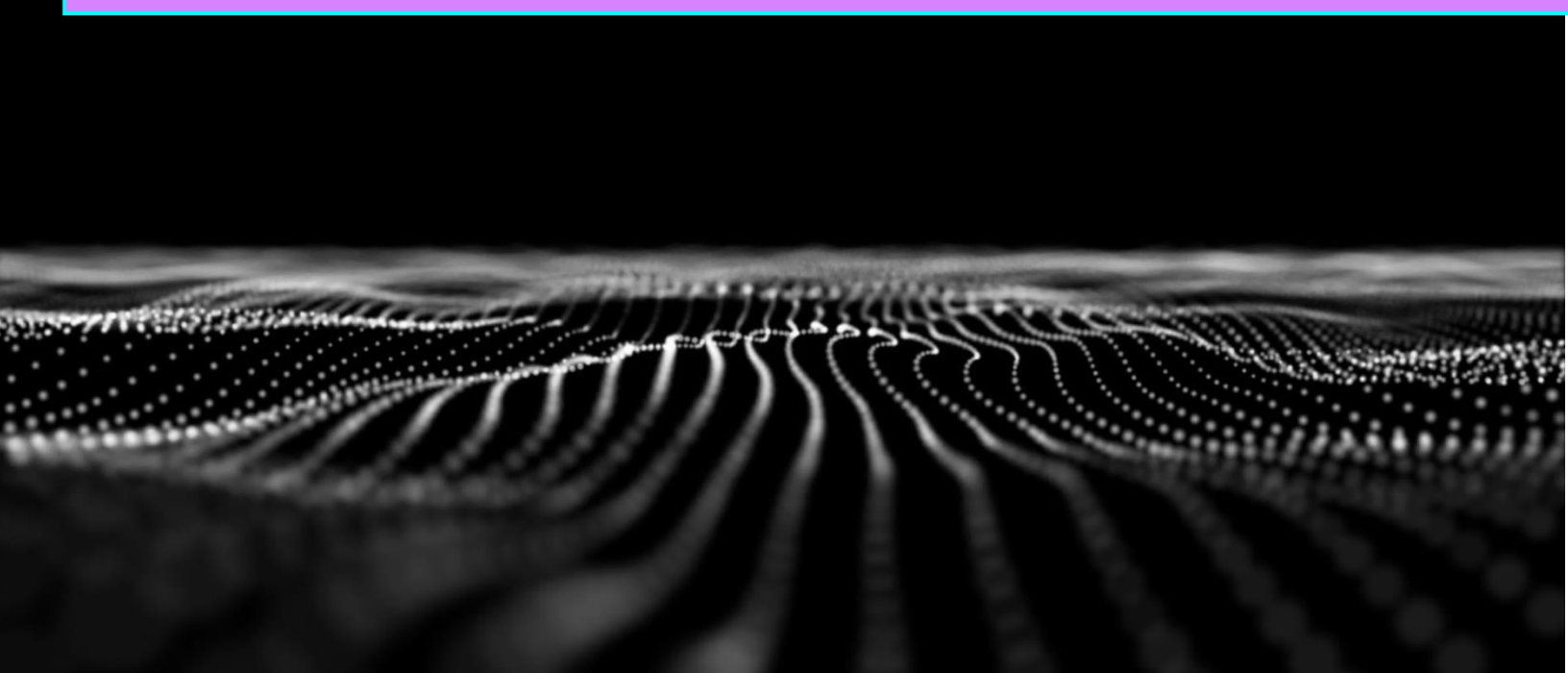
Beyond co-employment, organizations must audit internal policy hurdles, particularly regarding retirees and former employees who received severance packages. Re-engaging these individuals through a direct sourcing pool can accidentally trigger "double-dipping" benefits violations if not managed correctly. Furthermore, the Internal Revenue Code (IRC) requires strict "discrimination testing" to ensure that the exclusion of certain worker groups from benefits plans doesn't skew too heavily in favor of highly compensated employees.

Finally, data privacy remains a non-negotiable gate. Readiness involves ensuring that every candidate provides proper notice and consent—aligned with GDPR or CCPA—before their data is shared with external curation partners. Without this compliance foundation, the program faces the "earthquake" of potential state-level litigation.



#### Ah-ha Moment:

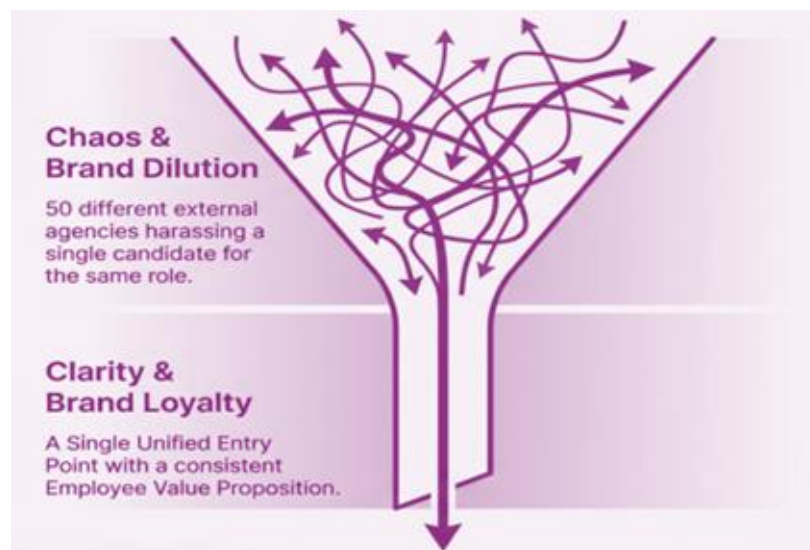
A major realization for the group was that failing to manage the transition of workers correctly can put an entire retirement package at risk—even for existing permanent employees.



## Brand

Readiness within the "Brand" pillar is about shifting from a passive participant in the staffing market to a proactive leader of the talent journey. Organizations often forget that they have spent "billions of dollars" on their corporate logo and reputation, yet they historically allowed third-party agencies to be the primary voice representing them to the market. Direct sourcing allows a company to reclaim that brand equity and use it as a powerful differentiator. Candidates are often more attracted to a brand they recognize and trust than to a generic outreach from a staffing agency they have never heard of.

A ready brand strategy focuses on creating a "Unified Entry Point". In traditional models, a high-quality candidate might be contacted by 50 different recruiters for the same role at a major firm, leading to immense frustration and brand dilution. A ready organization eliminates this chaos by providing a single, validated path for both permanent and contingent opportunities. This not only saves the candidate time but also ensures that they aren't forced to navigate a "black hole" where they apply and never receive feedback.



### Ah-ha Moment:

Candidates ultimately don't care about the internal sourcing mechanics or whether they are "direct sourced" or "vendor-sourced"—they just want the role. The job of the brand is to make the path to that role as short and satisfying as possible.



## Brand

Consistency is the final hallmark of brand readiness. The Employee Value Proposition (EVP) must remain completely fluid and unified from the very first job ad or social media post all the way through to the hiring manager's interview. When the language used by a recruiter stays consistent with the company's internal culture, the "connection point" becomes more authentic, leading to higher-quality matches and better long-term retention.

Finally, a ready organization understands that its Applicant Tracking System (ATS) is a "golden place" full of brand-loyal individuals—alumni, retirees, and silver medalists who have already expressed interest in the firm. Harvesting this "known talent" is the ultimate expression of brand strength.



### Important Note:

If your corporate brand is poor or struggling in the public eye, you must do the work on your brand first before launching a direct sourcing initiative. Direct sourcing magnifies the existing reputation; it does not fix a broken one.



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## Technology & Data

Technology readiness is not about simply buying a new tool; it is about ensuring that the chosen tech stack can disappear into the existing corporate ecosystem. A common failure point in early programs was the "unused tool" syndrome—platforms that sat idle because they didn't have a strategy or didn't fit into the daily workflow of recruiters. A ready organization prioritizes "seamless integration" with its core systems, specifically the Vendor Management System (VMS) and Applicant Tracking System (ATS). If a hiring manager has to log into a separate, second system just to view contingent candidates, adoption will fail.

Readiness also requires moving beyond the "smoke and mirrors" of simple keyword matching toward "True AI". Authentic AI job matching doesn't just look for words on a page; it evaluates complex career patterns, title history, and industry trends to significantly reduce the "signal-to-noise ratio" in a massive database. This capability allows a small curation team to manage a pool of 20,000 candidates with high accuracy, ensuring that they are only presenting candidates who are "available, interested, and matched".

In highly regulated sectors, Information Security (InfoSec) is the ultimate gatekeeper. Financial institutions, for instance, often view direct sourcing portals as a potential "attack vector" for bad actors or deep-fake applicants. Technology readiness means having the infrastructure to "choke" these funnels, ensuring only legitimate talent gets through while overcoming strict corporate firewalls and API hurdles.

Finally, data access is critical for long-term viability. Organizations must have the reporting and analytics capability to pull real-time ROI data. Being able to prove a "stunning amount of savings" in the first iteration is often the only way to secure continued senior leadership buy-in and scale the program from a pilot to a core talent strategy.



### Important Note:

Adoption is the lifeblood of direct sourcing technology. "If you make it hard for people—candidates or sourcers—you're just not going to get any adoption". The tool must provide a "frictionless experience" that feels as natural as the company's internal hiring processes.



## 3.0 Assessing Direct Sourcing Readiness

A formal readiness assessment is the bridge between the concept of direct sourcing and its operational reality. It is a strategic exercise designed to evaluate an organization's "stomach" for change, measured through specific indicators of opportunity across seven critical dimensions.

### Stakeholder Alignment & Ownership

Readiness in this category signifies that the organization has moved beyond the "territorial silos" that traditionally isolate human resources from procurement, instead coalescing around "shared talent goals". Achieving this alignment is the primary indicator of opportunity, as a proactive relationship between Procurement and Talent Acquisition (TA) ensures that the external workforce is viewed as a strategic asset rather than a mere line-item expense. Historically, a "wall" has existed between these two functions, characterized by a lack of trust and a failure to share critical data, such as candidate profiles from the corporate Applicant Tracking System (ATS). A ready organization dismantles this barrier, recognizing that "labor is labor" and that the distinction between a permanent hire and a contingent worker should not impede the search for the best quality candidate.

### Cross-Functional Buy-In

A critical component of this pillar is securing senior leadership that possesses the vision to see direct sourcing as a "talent play" rather than just a "savings play". Without this high-level backing, initiatives are frequently "scrapped" or indefinitely stalled during leadership changes or organizational restructuring. Readiness is signaled when executives understand that while cost reduction is a significant byproduct, the true value lies in quality, speed, and brand control. This strategic buy-in must extend across HR, TA, Procurement, Legal, Risk, and IT to prevent the program from crashing due to the push-and-pull of competing internal priorities.

“I can talk about direct sourcing until I'm blue in the face... but I can't get the people who I need to get it into their heads that this is a great idea to actually agree to do it.”



## Ownership Indicators: Why TA Must Lead

The group reached a strong consensus that for a direct sourcing program to have longevity, Talent Acquisition must own or be heavily involved in the day-to-day operations . If Procurement attempts to build a "shadow sourcing team" in isolation, TA often becomes territorial, viewing the program as a competitor for the same talent rather than a complementary channel . Readiness is indicated when TA embraces the contingent workforce as a way to keep "silver and bronze medalists" within the company's ecosystem instead of losing them to competitors . This unified approach ensures that the candidate experience is seamless, regardless of whether they are applying for a permanent or contract role.

## Specialized Skillsets: "Hunters" vs. "Order Takers"

Finally, readiness is determined by the presence of a specialized "hunter" mindset . Participants noted a fundamental difference between traditional TA recruiters, who may act as "order takers," and the agency-style recruiters required for direct sourcing who are skilled at "Source, Match, and Engage" . A ready organization either has this expertise internally or is prepared to invest in a curation partner that can actively mine databases and build proactive pipelines for recurring roles. This ensures the talent pool remains a living community rather than a static database of "stale" resumes.

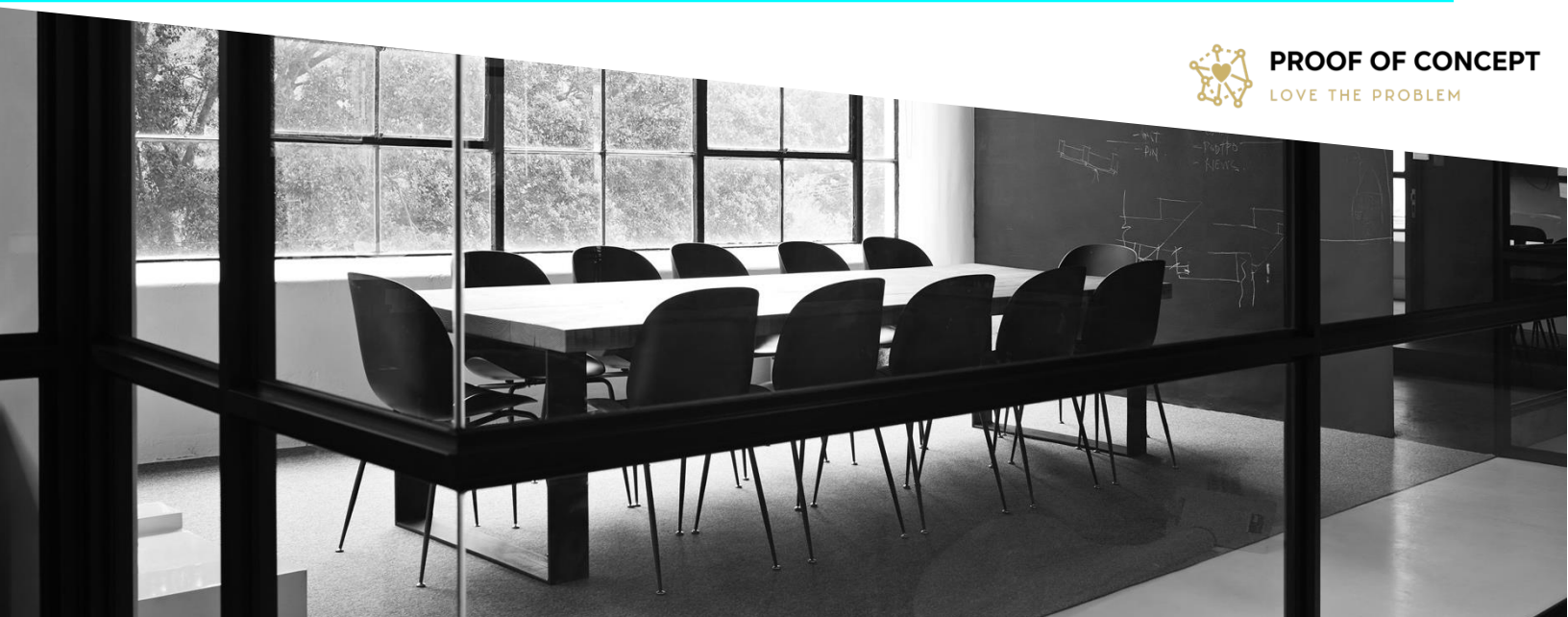


### Ah-ha Moment:

"Direct sourcing won't fly if recruiters see it as competition". True readiness is reached when TA views contract roles as a way to keep high-quality "silver medalists" within the ecosystem rather than losing them to competitors.



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## Workflows and Change Management

A ready organization recognizes that direct sourcing is not merely a technology installation; it is a fundamental re-engineering of how talent flows through the enterprise. The strategic goal is to move sourcing "upstream," shifting the identification of talent as close to the inception of the need as possible to eliminate the traditional delays found in reactive staffing models. This requires a significant cultural shift from a "reactive" posture to a proactive, brand-led strategy that anticipates demand before a formal requisition is ever finalized.

### Priority Windows

One of the most tangible indicators of operational readiness is the implementation of a "Priority Window". This involves establishing a standard lead time—typically three business days—where the direct sourcing channel (whether internal recruiters or a curation partner) has exclusive access to a requisition. If the direct sourcing team cannot develop a sufficient candidate pool within this window, the requisition is then released to the broader staffing supplier base. This ensures that the organization captures brand-loyal and "known" talent first, maximizing cost savings and quality before engaging higher-margin third parties.

### Pre-Identification

Readiness involves strategically leveraging the "dead time" inherent in corporate approval cycles. Instead of waiting for a requisition to clear every financial and managerial hurdle, a ready team uses that time to mine the Applicant Tracking System (ATS) and "warm up" existing talent pools. This proactive matching allows the team to have candidates ready the moment a requisition triggers, which has been shown to reduce cycle times by as much as 12 days from posting to offer acceptance.



## Rules of Engagement

A mature program relies on a documented "Rules of the Road" agreement that defines exactly which roles are "direct-first" and which are reserved for specialized vendors. This requires classifying roles into repeatable, high-volume categories where the brand is strong, such as Java developers or technicians, while leaving niche, hard-to-fill roles to strategic agency partners . By establishing these boundaries early, the organization manages the inevitable "market tension" with suppliers and moves them toward a model of "specialty recruitment services" rather than generalist providers.

## Supplier Change Management

Effective change management must extend to the existing supplier base. While vendors may be frustrated or concerned about their book of business, readiness involves being upfront about the organization's direction . This includes coaching suppliers to improve their own performance so that the strongest partners remain at the table for the specialized needs the direct sourcing program does not cover.



### Ah-ha Moment:

Practitioners have observed that "fills beget more fills". Once a hiring manager experiences the speed and quality of a direct-sourced hire—often accompanied by a 100% Net Promoter Score (NPS)—they become champions of the model, leading to faster adoption across other business units.



## Brand Strength

Direct sourcing is built on the fundamental premise that a well-established corporate brand is a recruiter's most potent weapon. Organizations invest billions of dollars into their public image, yet for decades, they have allowed third-party staffing agencies to act as the primary gatekeepers between that brand and the talent market. Readiness in this category means finally "cashing in" on that accumulated goodwill to attract talent that would otherwise be funneled through generic agency channels. When an organization uses its own logo, it speaks directly to candidates who already have an affinity for the company, effectively leveraging the brand to convince niche talent to choose a contract role over a permanent offer from a competitor.

The group explored how this brand leverage functions as a "magnet" for what we call brand-loyal individuals. For example, in the healthcare technology sector, one practitioner noted that using the company logo was the primary differentiator that convinced candidates to join their team instead of a rival firm. This approach requires a shift from passive "order taking" to proactive "brand storytelling". If a candidate is already attracted to the organization, the goal of direct sourcing is to ensure that their first interaction is with the brand itself, rather than a "middleman" who may not accurately represent the company culture.

“

"Why can't you use this logo that we have spent billions of dollars on to go find talent?"

”



True readiness also necessitates the creation of a Unified Entry Point. In traditional models, a high-quality candidate might be contacted by 50 different external recruiters for the same role, leading to immense frustration and brand dilution. A ready organization provides a single, validated path where a candidate can see both permanent and contingent opportunities. This prevents the "chaos" of multiple agencies competing for the same individual and ensures the candidate feels they have a direct line to the heart of the business.



### Important Note:

If your corporate brand is currently struggling or "crappy," you must do the work to fix the brand first before launching a direct sourcing initiative. Direct sourcing is a magnifying glass, not a mask; it will amplify your brand's existing strengths or weaknesses.

However, the group issued a strong warning regarding brand consistency. The Employee Value Proposition (EVP) must remain synchronized throughout the entire hiring journey. If a hiring manager's message during an interview contradicts the brand-led recruiter's pitch, the brand's credibility is instantly damaged. Furthermore, readiness is indicated by an organization's ability to eliminate the "Black Hole"—the common candidate experience where resumes are submitted into a vacuum without feedback. Providing timely, brand-aligned feedback is essential for maintaining the "warmth" of the talent pool and protecting the company's reputation in the marketplace.



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### Ah-ha Moment:

The group realized that at the end of the day, a worker doesn't care if they are direct-sourced or through a vendor; they just want the role—our job is to make that journey as brand-aligned as possible.

## Talent Pools

A talent pool is a strategic liability if it is merely a "database of names"; to drive real value, it must be transformed into a managed, living community. This requires a shift from passive storage to active curation, where the data is constantly refreshed to ensure candidates are "Available, Interested, and Matched" (AIM).

### Mining the ATS

A ready organization recognizes that its Applicant Tracking System (ATS) is a gold mine filled with tens of thousands of brand-loyal individuals. This includes "silver and bronze medalists" (high-quality finalists for permanent roles who weren't hired), alumni, and retirees who already understand the company culture.

### Scientific Forecasting

Readiness is marked by moving beyond boastful database numbers toward scientific demand forecasting. Experienced practitioners suggest a 10:1 ratio: you generally need 10 matched and interested candidates in a pool to yield one or two who are actually available the moment a requisition triggers.



#### Ah-ha Moment:

One group member realized that an ATS isn't just a record-keeping tool; it's a graveyard of talent unless you proactively "harvest" it to keep the brand connection alive.

### Continuous Engagement

To keep the pool "warm," organizations must employ automated nurturing and personalized outreach. Successful tactics include using campaigns to verify that profile data hasn't grown stale or having hiring managers record brief messages to maintain engagement.



## Partners

Implementing direct sourcing requires navigating a complex "web" of external partnerships where every handoff affects the candidate experience.

### Curation Excellence



If an organization chooses to outsource the matching function, the curation partner (often called a Contingent RPO or CRPO) must be "all in" on the brand. They act as a seamless extension of the company, and readiness means selecting a partner whose recruiters are specialized "hunters" rather than passive "order takers".

### EOR/AOR Handoff



The speed gains of direct sourcing can be instantly negated by a clunky handoff to the Employer of Record (EOR) or Agent of Record (AOR). Readiness is measured by a "frictionless" transition; if the onboarding process is a "torture" for the candidate, it will echo negatively throughout the industry and damage the brand.

### Supplier Optimization



Direct sourcing acts as a catalyst for "supplier rationalization". A ready organization uses the launch of DS to cut "dead weight"—vendors who may be signed but haven't provided a hire in years—allowing the company to focus on a smaller group of strategic partners for niche roles.



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#### Important Note:

Be wary of potential conflicts of interest. If an MSP also has a staffing arm, they may be less incentivized to grow a direct sourcing program that disrupts their traditional revenue streams.

## Technology

Technology readiness is achieved when a platform can essentially "disappear" into the existing corporate ecosystem, becoming a feature of how people work rather than a separate destination.

### InfoSec Hurdles



Especially in finance or high-tech, InfoSec is the ultimate readiness gate. Proving that the direct sourcing technology and the use of the company logo won't create an "attack vector" for bad actors—including the rise of "deep fake" applicants—is a critical hurdle for security-conscious leadership.

### Seamless Integration



A ready tech stack avoids "user experience friction". This means the DS platform, VMS, and ATS communicate via API so that hiring managers can view candidates in the tools they already know without having to log into a separate system.

### True AI Matching



Readiness requires moving beyond simple keyword searches to "True AI" that recognizes career patterns. Effective matching technology looks at the "pattern recognition" of job titles, industry history, and skills to reduce the "signal-to-noise ratio," ensuring recruiters aren't wasting time on poor matches that diminish the brand.



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#### Important Note:

Data and reporting are the lifeblood of the business case. The technology must provide real-time ROI tracking, such as bill rate deltas and time-to-fill metrics, to prove the program's success to senior stakeholders.

## Compliance

Readiness in compliance means separating "perceived historical risks" from actual legal barriers to get Legal and HR teams comfortable with the program.

### Control Test



Practitioners must work with Legal to understand that co-employment risk is primarily driven by behavioral control—who tells the worker what to do on the job—not by whether their resume is co-housed with FTE data in a shared system.

### Internal Roadblocks



A ready organization audits internal policies that might inadvertently block the best talent, such as tenure limits or "double-dipping" rules that prevent the re-hiring of retirees or former employees who received severance packages.

### Data Privacy



Readiness is signaled by robust "Notice and Consent" frameworks. Organizations must ensure that candidates explicitly consent to having their data shared between the brand, the technology platform, and any external curation partners to comply with GDPR or CCPA.

### Important Note:

There is a hard line between a talent play and an audit risk. As the group noted: "You cannot just take an FTE applicant and turn them into an IC because you have the budget". Compliance readiness requires strict adherence to proper worker classification to avoid "piling up exposure".



## 3,2 Measuring Impact

When an organization moves to direct sourcing, the evaluation of success must transcend simple anecdotal evidence and move into a rigorous, data-driven assessment of value. Our discussions centered on a "Better, Cheaper, Faster" framework, which serves as the North Star for measuring direct sourcing's impact. To truly assess impact, a program must look at the ROI potential against inherent risks and costs, ensuring that the returns justify the organizational churn. Successful programs move beyond high-level estimates to track "Net Savings," which is defined as the delta between the non-directly sourced bill rate and the direct-sourced bill rate, minus the specific cost of the recruiter or curation partner.

For example, in a mature pilot, one practitioner reported realized net savings of approximately 10% per requisition, projecting a path to one million dollars in savings within a single year by channeling volume to a payroll provider. These savings are primarily driven by the reduction in vendor markups. However, the efficiency gains are often even more striking than the financial ones. The most cited metric for speed is a 12-day reduction in cycle time from job posting to offer acceptance. This speed is achieved by leveraging "known talent"—alumni, retirees, and silver medalists—who are already familiar with the corporate culture and systems.



### Ah-ha Moment:

The group realized that speed is not just about the hire; it's about "Time to Productivity." A redeployed worker can reach full productivity almost instantly compared to a net-new hire who requires weeks of cultural immersion

Quality and experience represent the final piece of the impact assessment. Unlike traditional staffing, where a candidate might be lost in a "black hole," direct sourcing aims to eliminate the silence. We measure this through Net Promoter Scores (NPS), with successful pilots achieving a 100 NPS score by providing timely, valuable feedback. Furthermore, quality is tracked through conversion rates and attrition. If a directly sourced population shows lower voluntary turnover or fewer "fall-offs" for behavior or performance reasons, it validates the strength of the brand-led match.



### Important Note:

A healthy talent pool requires scientific forecasting. You generally need a ratio of 10 matched and interested candidates for every one or two who are actually available when a requisition triggers. Without this "AIM" (Available, Interested, and Matched) methodology, the impact on speed will eventually stall.



## 3,3 Build the Business Case

Building a successful business case for direct sourcing is less about a massive slide deck and more about grounding the initiative in the current organizational "stomach" for change. One participant noted that their attempt to sell the program via a 40-page PowerPoint was unnecessary; they were stopped on page five once the cost savings model showed that a \$75,000 investment could return \$750,000 in the first year. However, a truly robust business case must be aligned with the organization's Objectives and Key Results (OKRs). If the corporate priority is Agility, the case must focus on reducing cycle times and increasing redeployment rates. If the priority is Savings, the focus shifts to the reduction of administrative burdens and middleman markups.

The business case must also address the internal "Procurement vs. HR" tension. In many organizations, these two groups operate in silos, leading to "territorial" behavior. To build a case that survives, you must reframe direct sourcing as a "talent play" rather than just a procurement exercise. This involves convincing HR that opening the Applicant Tracking System (ATS) to the contingent program is a net benefit, allowing the company to keep high-quality "silver medalists" in-house rather than losing them to competitors.



### Important Note:

The biggest barrier to a business case is often organizational turbulence. Constant leadership changes or MD-level shifts can lead to projects being "scrapped" even when a contract is ready to sign. Your case must have enough "senior leadership backup" to survive a personnel shuffle.

Furthermore, the business case should account for security and brand risk. In financial services, for instance, utilizing the brand logo can be seen as an "attack vector" for threat actors or deep-fake applicants. A ready business case proactively addresses these hurdles by illustrating how a centralized funnel through a single direct sourcing partner provides more control and better vetting than 30 disparate staffing suppliers. By quantifying the risks of not acting—such as brand dilution when 50 recruiters call the same candidate for the same role—you create a compelling argument for a unified, brand-led entry point.

“Labor is labor. It shouldn't matter whether it's full-time or contractors... you're trying to find the best quality candidate”



## 3.4 Proof of Concept

The most successful path to enterprise-wide direct sourcing is rarely a "Big Bang" implementation; instead, it begins with a "Direct Sourcing Lite" model or a targeted pilot. This allows an organization to get "scrappy," testing the efficacy of their existing data and building momentum before committing to a heavy technology spend. One practitioner shared a high-impact example of this: they avoided an RFP and simply hired a single contract recruiter who was given access to the internal permanent ATS . By manually matching candidates who had applied for permanent roles to contingent manufacturing positions, they filled requisitions 12 days faster than the traditional supply base.

A Proof of Concept is vital for overcoming the "no budget" excuse. By partnering with an existing vendor and treating them like a "curation arm," the project can be set up like any other staffing vendor—meaning they are paid based on successful hires . This "zero-cost" entry point allows the team to collect data on conversion rates and hiring manager satisfaction without an upfront capital request. The goal of the POC is to prove that the brand logo can do the "heavy lifting" of attraction and that "known talent" is indeed a viable source of labor.

The POC phase should focus on high-volume, repeatable roles where the brand is already recognizable . Attempting to pilot with niche, one-off executive roles is a recipe for failure. Instead, by hitting a 10% target in Year 1 for high-concentration categories, the program builds the necessary credibility to scale . This "Lite" phase also serves as the training ground for change management with the existing supply base, allowing the organization to test its "Rules of Engagement" and exclusive "Priority Windows" before a full-scale rollout.



### Important Note:

A "Direct Sourcing Lite" approach allows you to "fail fast or learn fast" with minimal investment . If the ATS data is too stale or the brand is too weak to attract candidates, you discover it during a pilot rather than after a multi-million dollar technology implementation.



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## 3.5 Focus on Adoption

Ultimately, the best direct sourcing technology is "junk" if the end users—candidates and hiring managers—do not engage with it . Adoption is the lifeblood of the program. For hiring managers, the tool must provide a frictionless experience; it should ideally integrate so deeply with the existing Vendor Management System (VMS) that they don't even realize they are using a new channel . If a manager has to log into a separate system or learn a different set of rules, they will simply revert to their favorite third-party recruiter.

To drive adoption, the program must be evangelized as a "Success breeds success" model. This means highlighting those "Ah-ha moments" where a manager secures a high-quality hire in 12 days for a 35% markup instead of the standard 65%. This financial and speed-based win creates "super users" who act as internal champions, spreading the word that the direct sourcing channel is easier and more reliable than the traditional "throwing stuff at the wall" agency method.

Managing the tension with staffing vendors is also critical for long-term adoption . You must be transparent with your top-tier suppliers, explaining that direct sourcing will handle the high-volume "noise," allowing them to focus on the higher-margin, specialized placements where they add the most value . Finally, the candidate experience must be consistent. If the brand message—the Employee Value Proposition (EVP)—remains fluid from the recruiter to the manager, the candidate feels a deeper connection to the firm . This continuity not only drives higher offer acceptance rates but also encourages candidates to refer others into the community.



### Important Note:

A significant barrier to adoption is the conflict of interest within Managed Service Providers (MSPs). If your MSP also has a staffing arm, they may be incentivized to let the direct sourcing tool sit unused to protect their own revenue . Organizations have found direct sourcing tools on their career sites acting as "black holes" because no one was actually monitoring the applicants.



## Summary

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The intensive collaboration within this sprint has crystallized one undeniable truth: direct sourcing is not a fleeting trend, but the natural and necessary evolution of the talent ecosystem. Our discussions tracked the journey of this concept from its origins as a "whisper" in the back of industry conferences over fifteen years ago to its current state as a mainstream external workforce solution. The group collectively landed on the conclusion that when direct sourcing is planned effectively, it fundamentally transforms the external workforce from a high-cost administrative burden into a proactive, brand-led asset that provides a competitive edge in a tightening labor market. We moved past the industry "hype" to recognize that direct sourcing is essentially a "talent play" that requires organizational courage to execute.

Throughout our exploration, we identified that the maturity of the market has reached a point where direct sourcing now accounts for over 70% of sourcing in some major enterprises as of 2025. However, this maturity has also brought a diverse spectrum of definitions and technology partners, leaving many organizations confused about the "right" configuration. The group reached a consensus that a successful model is built on the "Better, Cheaper, Faster" framework: significantly reducing cycle times, lowering net costs by removing "middleman" markups, and improving the quality of talent through brand affinity. We also addressed the persistent "market tension," framing direct sourcing not as a tool to "undermine" traditional staffing, but as a catalyst for a "rising tide" that allows vendors to pivot into high-value specialty services.

The synthesis of our work highlights that readiness is a holistic spectrum encompassing People, Process, Compliance, Brand, and Technology. We found that organizations often fail when they treat direct sourcing as a mere technology purchase rather than a strategic realignment. The most impactful programs are those that have dismantled internal silos between Procurement and HR, fostering a mindset where "labor is labor" and the quality of the candidate is the ultimate priority. By the end of our sessions, the group agreed that a well-designed program creates a "stunning amount of savings" while simultaneously hitting a 100 Net Promoter Score (NPS) for both candidates and hiring managers.

## Call to Action

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Now is the time for your organization to move from observation to action. The talent market is no longer waiting for companies to "kick the tires" on their strategy; it demands a unified and frictionless brand experience. We urge you to immediately use the "Direct Sourcing Readiness Framework" developed in this report to conduct a rigorous audit of your People, Process, and Technology. Start by identifying your internal champions and securing the "Air Cover" needed from senior leadership to see this vision through organizational turbulence and leadership changes. Without a shared goal between Talent Acquisition and Procurement, even the best-funded program will struggle to gain traction.

The first practical step is to mine your Applicant Tracking System (ATS). Stop paying third-party agencies for candidates you already "own" in your database. This includes your "silver and bronze medalists," alumni, and retirees who are already immersed in your culture and can reach full productivity faster than any net-new hire. Simultaneously, you must work with your Legal and Risk teams to reconcile the "Co-employment Ghost." Use the "Tuesday at 2 PM" test to prove that behavioral control on the job is the true driver of risk, not the method of data storage. This internal alignment is the prerequisite for building a business case that turns a \$75,000 initial investment into \$750,000 in Year 1 returns.

As you scale, shift your focus toward "Scientific Forecasting" and continuous engagement. Remember the 10:1 ratio: you need a managed community of ten "Matched and Interested" candidates to yield one "Available" hire when a requisition triggers. Ensure your "Rules of Engagement" give your direct sourcing team a three-day priority window on recurring, high-volume roles before they are released to the broader market. This focus on adoption and process efficiency will transform your contingent program from a reactive cost center into a strategic competitive advantage. The era of the "black hole" career site is over; the future belongs to the brand that engages talent directly and authentically.



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