

MAKING DIRECT SOURCING WORK IN YOUR ORGANIZATION

Exclusive best practices from industry pioneers to help optimize your program.

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Executive Summary

The economic contraction of 2020 accelerated the search for more efficient business models, and direct sourcing was the answer for many. Immediately afterward, the explosive staffing industry growth in 2021 and the ensuing talent shortage spurred another search for improved business models, now focused on improving access to scarce talent. Once again, direct sourcing was seen as the solution.

The business case for direct sourcing, once in doubt, is now widely accepted, with 60% of large organizations expecting to explore the approach within the next two years. However, the rapid growth of direct sourcing has outpaced the development of accepted best practices, with those seeking to adopt the approach often left to their own devices.

This report seeks to outline the principles followed by successful leaders as a roadmap to your own direct sourcing implementation. Many of the leaders interviewed for this research began to adopt direct sourcing before the term itself existed and learned through trial and error the approach to make direct sourcing work within their organizations.

We have synthesized these approaches and presented them in the following pages, and sought to generalize the principles to be relevant across industries and labor markets. But first, let's define the sometimes-ambiguous term of direct sourcing.

What Is Direct Sourcing?

A term commonly used to refer to the process by which a company leverages its own candidate pool (e.g., former employees, retirees and silver medalist applicants from its own ATS) to place within the company, as contingent/ temporary employees. Direct sourcing does not necessarily mean that 100% of a company's hiring will be done in-house and with no relationships with intermediaries.

In earlier times, this practice for contingent workers largely consisted of informally sourced, pre-identified

candidates who were placed on the payroll of a third-party payroll provider. More modern and mature direct sourcing programs typically leverage the employer brand in job advertising to maximize candidate flow.

More recently, the demand for direct sourcing has been accelerated by the evolution and multiplication of talent acquisition tools and services (aided by developments in artificial intelligence and big data). Such tools include software for managing and curating candidate talent pools.

[-SIA's Lexicon of Global Workforce Solutions-Related Terms](#)

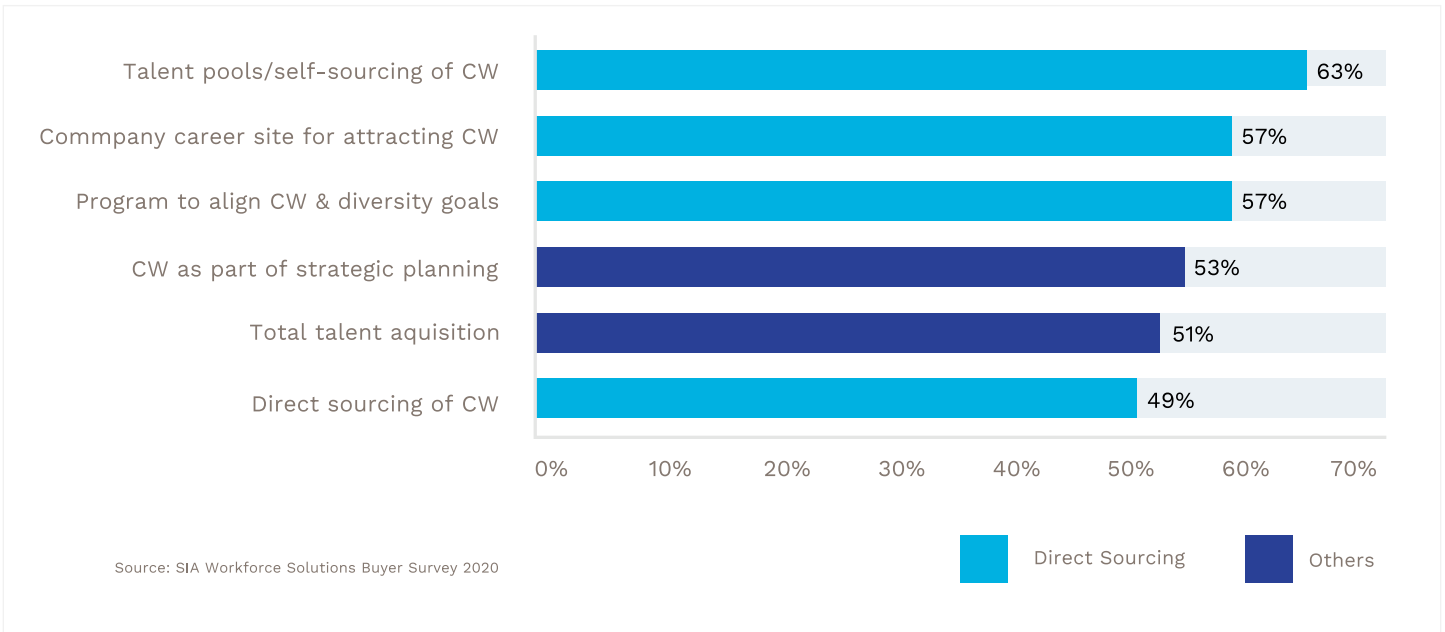
The Growth of Direct Sourcing

Although many contingent workforce leaders have taken a wait-and-see approach, that is expected to change over the next two years. Among large organizations, we found that only 16% of contingent programs strongly agree that direct sourcing is effectively implemented today and 60% plan to explore direct sourcing within the next two years, per SIA's report "Achieving Excellence in Direct Sourcing for the Contingent Workforce" (see related chart on p. 4).



Direct Sourcing Strategies Top Buyer Priorities

Top contingent workforce buyer strategies to explore within two years (% of companies)



More Questions Than Answers

The decision to launch a direct sourcing initiative creates more questions than answers.

How can buyers get executives and hiring managers on board with the idea? What are the risks of engaging independent workers directly? Is the company's employment brand strong enough to deliver? Is direct sourcing really worth the effort? What's the potential ROI

Research from McKinsey shows that concerns are well justified, as 70% of change programs fail to achieve their goals.

Fortunately, early adopters have beaten the odds and amassed many valuable lessons while leading the way. The purpose of this report is to help buyers benefit from the implementation best practices and experiences of these early adopters and share learnings from organizations that are improving access to talent and supporting the attainment of business goals through the direct sourcing of contingent talent.

In the following chapters, we will outline the major phases of implementation and the key steps for each one. Note: While the order of some tasks can be flexible, the leaders we spoke with strongly caution against taking shortcuts or skipping steps altogether.



Key Findings and Takeaways from Our Research

Setting the Stage for Success

When it comes to crafting and implementing a direct sourcing strategy, the general consensus is that there is no one-size-fits-all solution. However, if early adopters have a recipe for launch success, the ingredients include executive sponsorship, a fully leveraged employment brand, clear program ownership, and specific, measurable, achievable, relevant and time-bound (S.M.A.R.T.) goals backed by research and data.

The journey starts with the creation of a compelling, data-backed analysis of the current and future state of recruiting, key performance data, and the impact of talent shortages on the top and bottom lines. A well-prepared, visionary business case is the key to getting approval, building mindshare for a direct sourcing initiative, and overcoming obstacles during implementation.

It's a Marathon, Not a Sprint

Changing the way a major organization sources and engages thousands of contingent workers takes time, perseverance and, most importantly, planning. Expect a process that lasts at least 12 months.

Essentially, a thorough implementation plan outlines the direct sourcing model, technology solution, timeline, goals, candidate experience and risk mitigation techniques, yet is adaptable to changing circumstances.

Cost Savings Is a Byproduct of Excellence, Not a Goal

Resoundingly, early adopters say that direct sourcing should be viewed and marketed as an access to talent play, not a cost savings play. The initial focus should be on fundamentals and execution, like finding the best contingent workers and creating a great candidate experience. Over time, doing the right things consistently will lead to bigger talent pools, more engaged contingents, economies of scale and cost savings.

Give Candidates a Great Experience

Tangible and intangible improvements often hinge on a contingent worker's impression of the organization, how they are treated during the curation process, the benefits they receive, and their overall experience. Incorporating the human touch into the recruiting process and nurturing a sense of community supports the company's employer brand and creates a competitive advantage in the war for talent.

What's more, treating contingent workers like valuable, renewable resources who contribute to the company's success encourages referrals and encore assignments.

Leverage Your Employer Brand

Leveraging your employer brand to create a magnet for talent is a defining characteristic of direct sourcing and a driver of its success in attracting talent. Early adopters have experienced improvements in time-to-fill, deployment, fill percentage, quality and commitment, with fill rates up to 85%. Best of all, compliance has not been an issue. Secure management buy-in to leverage your employment brand early in the process to avoid surprises that may derail your program.

Pilot, Then Scale

A focused pilot lets you validate all the elements of a direct sourcing program, measure success, refine performance and provide proof of concept.

Leaders have found that well-received pilots generate their own demand through word of mouth, serving as a catalysts for broader scaling.

About the Research

Staffing Industry Analysts (SIA) was commissioned by Magnit to conduct interviews among experts and pioneering leaders in the implementation of a direct sourcing strategy for contingent labor to collate their experiences, best practices, processes and roadmaps to success.

As part of the project, SIA also reviewed numerous proprietary research reports and customer outcome data to validate the anecdotal evidence, identify trends and confirm our conclusions. This report represents a summary of what we learned about the successes of programs moving through the early stages of the adoption curve. Quotes from the interviews, case studies and supporting data have been included in this report. We would like to thank all interview participants for their contributions to this important topic.



Key Terms in this Report

Throughout this report, we use the following definitions:

1 Directly Engaged Contingent Workers

Directly engaged contingent workers include independent contractors/consultants, temporary workers sourced from an internal pool, and others such as summer interns and seasonal workers sourced by the staffing buyer.

2 Directly Sourced Contingent Workers

A service segment of the contracting/consulting industry, directly sourced contingent workers include independent contractors/consultants, temporary workers sourced from an internally developed pool of talent, and others such as summer interns, seasonal workers, retirees and other contingent workers not sourced from a third-party staffing supplier. In a direct sourcing model, the company most often finds talent and administers the talent pool but may engage a third party to do so as well.

3 Employer Branding

Commonly used to describe an organization's reputation as an employer as opposed to its more general corporate brand reputation. Employer branding is therefore concerned with the attraction, engagement and retention initiatives targeted at enhancing an organization's employer brand.

4 Employer Value Proposition (EVP)

A company's EVP consists of the core benefits that make up a company's wider employer brand (see definition). It can be perceived as a promise between an employer and a potential applicant based on what a company and its culture can offer a job seeker in exchange for their talent, skills and experience.

Lay the Groundwork

From laying the organizational groundwork to setting data-backed recruiting goals, early adopters offer insights on how to make this challenging business transformation smooth and successful.

Create the Vision for Change

A compelling vision of the future, supported by a detailed business case, is the anchor point of any strategic change initiative and the key to winning approval from executives and managers for a direct sourcing program. The vision should outline what the organization stands to gain from using its employer brand to attract and hire contingent workers faster, and what it stands to lose by ignoring the shift to freelancing, especially among Millennials and Generation Z.

“It’s critical to ask and answer, what does success look like by country before launching a direct sourcing initiative,” noted John Poore, VP of client services for Magnit.

Do leaders ultimately want to fill 50% or 80% of contract positions through direct sourcing? Where should the program sit? Are cost savings a priority? Generally, leaders have found that access to talent, cost savings, leveraging the employer brand and speed of hire fuel the motivation to move forward.

“Keep reiterating what direct sourcing is and why it is beneficial,” Poore said. “For instance, the marketing director probably has a drawer full of resumes from freelance graphic artists and copywriters, but he may not see that as direct sourcing unless you connect the dots.”

Build the Business Case

A compelling business case captures the reasoning for implementing direct sourcing for contingent labor. It analyzes the current state of the contingent workforce and relevant history, as well as the urgency of the problem, by forecasting the future demand for contingent talent, the growth of the gig economy, and the impact of talent shortages on the company’s top and bottom lines.

It also provides data showing the impact of employer branding on talent attraction, cost of hire and retention, and how that translates into measurable ROI.

What Motivates Stakeholders?



Better Access
to Talent



Faster Hiring
Speed



Potential for
Cost Savings



Leveraging the
Employer Brand

Employer Branding Stats to Get Executive Buy-In

- Businesses with a strong employer brand experience a 43% decrease in cost per hire according to LinkedIn.
- Gartner found that organizations with well-managed employer brands can source from more than 60% of the labor market, compared to only 40% for those who do not manage their employer brand.
- According to Gallup, an employee's alignment to their company's core values directly affects their engagement, so it's important to communicate this well and often, both internally and externally.

Set Data-Driven Recruiting Goals

Resoundingly, leaders said that early success is essential to engendering confidence and support for a direct sourcing initiative that can't be achieved through a top-down mandate. They deliberately set modest expectations such as 20% to 30% fill rates in the first year and then exceeded them.

"It's better to under-promise and over-deliver on your recruiting goals, especially in the first year," noted the senior director of talent acquisition for Southwest Airlines.

To set recruiting goals that are both realistic and achievable, program leaders need to consider the location, the prevailing wage, supply and demand, and workforce demographics for each business unit and role they plan to fill through direct sourcing. Data analysis is key to building robust, targeted talent pipelines, establishing a performance baseline for each country and measuring success. But the trick isn't merely collecting the data — it's interpreting it to draw conclusions.

For instance, filling 30% of engineering positions with directly sourced female minority contractors might seem like an effective way to alleviate talent shortages and diversify the existing staff. But is it achievable

when women make up only 13% of the engineering workforce?

Using data and facts eliminates gut-feel decisions and helps establish priorities and identify untapped talent pools. It also allows curation teams to target recruitment marketing campaigns. But most importantly, it empowers the creation of S.M.A.R.T, clear, attainable and meaningful recruiting goals.

Define the Candidate Experience

Direct sourcing not only allows companies increased access to various types of contingent talent, it can also help foster greater loyalty, commitment from contractors, and the redeployment of top performers from one project to another. However, intangible improvements often hinge on a contingent worker's impression of the organization, how they are treated during the curation process, the benefits they receive, and their overall experience.

Moreover, designing the candidate experience from the outset can help align decisions about technology and curation models during the implementation planning process. The proposed candidate experience is also crucial for gaining organizational buy-in for direct sourcing, delivering near-term impact and building momentum.

"View it from their side when designing the experience you want to provide directly sourced candidates for contingent work," said Southwest Airlines' senior director of talent acquisition.

To achieve a competitive advantage, Southwest Airlines' payroll vendor offers benefits that are equivalent to or better than what staffing firms provide to directly sourced contingent workers, as well as a hiring experience similar to direct hire.

"Don't make promises you can't keep," said Michael Khadivar, global category senior director, external resources procurement, at Capgemini.

Realistically, there are going to be limitations on the things you can offer to contingent workers.

To foster transparency, trust and attraction, tailor the company's employer brand and employee value proposition toward the preferences of your specific contingent workers by job level or role. For example, in a survey among more than 1,700 temporary workers, the key drivers of assignment selection are pay, short commutes and company culture. However, among IT contractors, work-life balance and opportunities for skill development become more important.

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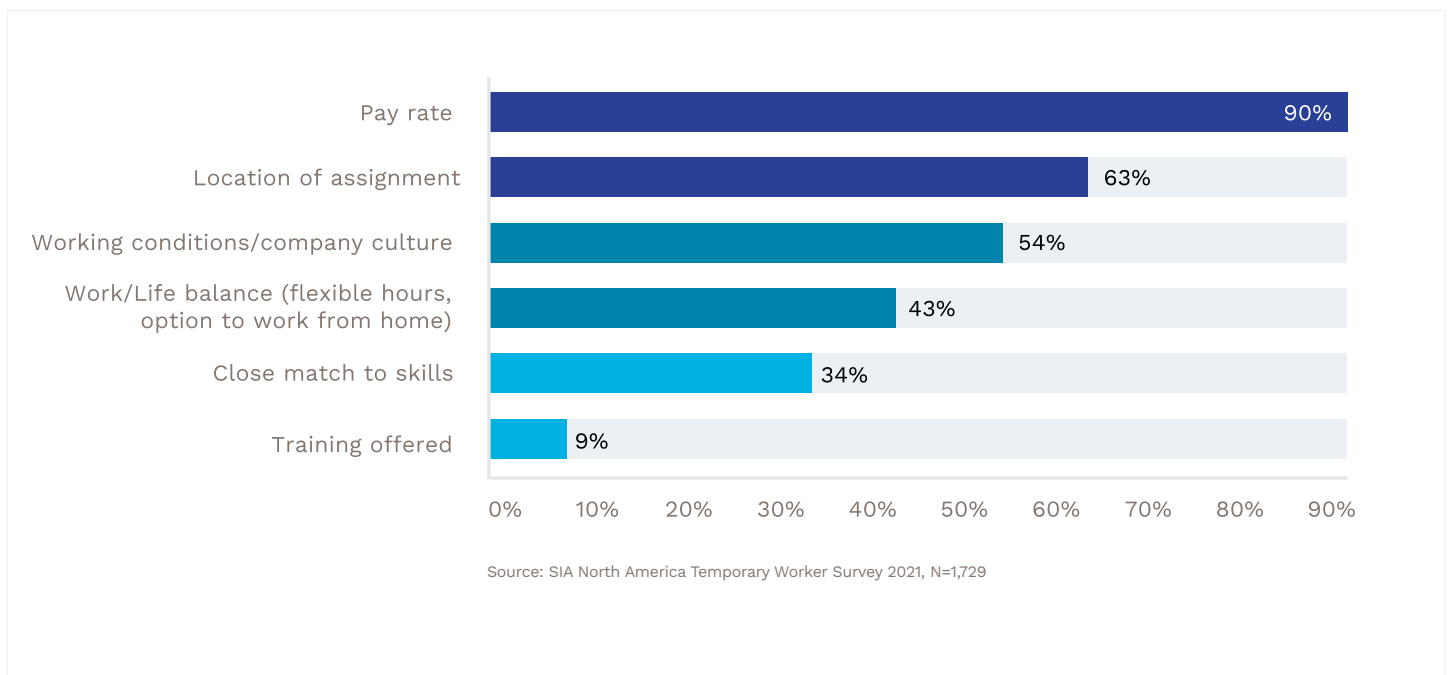
" Measure twice, cut once to set initial fulfillment goals for directly sourced contingent talent that are realistic and achievable. "

John Poore, VP of client services, Magnit



Share of Temporary Workers Citing Selected Options as a Top Three Assignment Criteria

What matters to temporary Workers



Prioritize Access to Talent Over Savings

While it's true that eliminating the staffing "middleman" can reduce markups by approximately 15% to 35%, experts say that cost savings shouldn't be the impetus for implementing a direct sourcing strategy.

Direct sourcing should be viewed and marketed as an access to talent play, not a cost savings play.

Why? The labor market isn't stagnant. Curation teams may have to pay more to attract contractors with in-demand skills. In other words, some hourly bill rates may go up, not down.

Also, talent shortages often lead to indirect costs that are real but hard to capture, such as overtime, turnover and hiring manager time. In some cases, a shortage of contract talent has prevented businesses from opening new locations or increasing consulting fees. Reducing indirect costs can boost overall talent ROI and the top line, but again, figuring out how to measure it can be challenging.

However, leaders don't rule out the possibility of long-term savings as talent acquisition and start-up costs decrease and independent contractors accept longer-term and repeat assignments at payrolling mark-ups.

"By leveraging our brand to attract talent directly, we are able to focus on getting the best candidates deployed as quickly as possible, and the added benefit of cost savings will ultimately come," said Eric Osterhout, senior category specialist for a major pipeline company.

Establish Clear Ownership

Although some leaders voiced a strong preference for control, our research shows that a direct sourcing program can be successful whether it is overseen by HR or procurement. The universal factors that influence success are clear ownership of the program (someone with the authority to act and make decisions) and the ability to build consensus and a strong collaborative partnership between talent acquisition, procurement and management.

For instance, direct sourcing empowers a total talent approach that includes sharing candidates between the pools of contingent and full-time applicants. Identifying the best talent for a job, regardless of source, requires unselfish cooperation, seamless messaging and commitment to fostering a positive candidate experience.

According to a 2019 Deloitte Human Capital Trends survey, only 8% of companies have an established process for developing alternative workforce sources. A disjointed effort between HR, individual departments and procurement can hinder the curation of talent pools and success of a direct sourcing initiative.



Get the Green Light

Once the benefits and need for a direct sourcing program have been established, it's time to socialize the idea, secure approvals and create alignment across the organization. The path begins in the executive suite.

Secure Executive Sponsorship

Executives play an essential role as primary sponsors of change, especially in organizations where change doesn't come easily and hiring managers have come to trust staffing vendors to get the job done. An executive sponsor ensures that the initiative's goals are aligned with overall company strategy, authorizes funding and resources, and provides credibility as you seek buy-in and approval from legal, marketing, the employment brand owner, IT, HR and more.

"You need executive sponsorship at the highest possible level, someone with the power to champion your program initiatives and effect change within the organization," advised Osterhout.

In fact, active engagement of an executive sponsor is the top driver of effective strategy delivery, according to the Project Management Institute.

Seek Stakeholder Approvals and Alignment

Ideally, leaders should identify everyone who needs to sign off ahead of time and win them over as soon as possible. However, the practitioners we spoke with uncovered unexpected approvers during a planning process that lasted at least 12 months.

What's the best way to win support? Leaders must fully engage approvers and the biggest users of staffing services, anticipate their concerns and objectives, and make the greatest efforts to satisfy them. For example, successful implementors have a clear understanding about co-employment risks and mitigation strategies related to direct sourcing. When meeting with legal, they explain how the actual hiring, payroll processing and even day-to-day management of directly sourced contingent workers can still be overseen by a third party, like an employer of record

(EOR) provider. (EOR is an entity that serves as the employer for tax purposes while an employee performs work for an end-user hirer, staffing firm or other business.)

"It's important to create a unified vision and get everyone in the organization on the same page before you start soliciting directly sourced contingent workers," noted Poore. Having broad stakeholder support and adoption is the key to scaling quickly.

For instance, how are silver medalists (qualified candidates who have applied for and reached the shortlist but did not get a position) going to feel about being contacted for contract opportunities? How about interns? What have they been told? What type of relationships have been built?

Competing for highly sought-after independent workers with in-demand skills requires trust.

Organizational alignment ensures that every person in the organization supports the direct sourcing process from initial outreach to engagement, rewards and redeployment.

Recruit Change Champions

When stakeholder meetings convene, be on the lookout for engaged, influential managers who are willing to beta test direct sourcing for all or some of their contingent positions and share feedback.

Champions play a crucial role in expanding the ecosystem of participants in direct sourcing. They help the curation team work through the kinks, dispel myths and communicate success stories, which keeps the momentum going for direct sourcing. They encourage change and risk-taking without mandates by creating a positive vibe about what's possible in the future.

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Eric Osterhout, senior category specialist for a major pipeline company.



Build a Scalable Framework

Ultimately, whether it's in-house, outsourced or hybrid, a direct sourcing framework must be able to handle thousands of contingent workers without sacrificing quality or user satisfaction and support the strategic goals of the organization. The must-have components for scalability include an end-to-end solution suite, a curation team and an employer of record (EOR) service with global capabilities.

Things to Look For When Selecting a Technology Solution

A Smooth Candidate Journey

To create a candidate-centric recruitment model, the primary focus needs to be on the candidate's needs and overall experience, especially when they interact with technology.

Effective user experience design (UX) is a key to attracting and retaining directly sourced candidates.

Are the interfaces simple and clear? Are they customizable? Is it easy for a candidate to complete tasks such as creating or updating a profile? Can the system support the building of talent communities and relationships or branded portals?

A Smooth Hiring Journey

The system also needs to serve the needs of hiring managers and contingent workforce business leaders. Can it handle volume hiring? Can managers screen résumés online? Does it coordinate and schedule interviews? Does it provide reporting and analytics that measure cost, quality and performance of non-employee talent?

Process Efficiencies

Can the system scale to accommodate growth? Can it handle the entire direct sourcing lifecycle? Does it offer configurable workflows? Or AI-driven talent screening and matching systems? Can it support diversity and inclusion efforts? Technology can play an important role in creating a lean and efficient direct sourcing process.

Elements of a Scalable Direct Sourcing Framework



End-to-End Direct Sourcing Suite



Curation Team or Partner



EOR Service with Global Capabilities

Things to Look For When Selecting a Curation Partner

Evaluate an internal team's bandwidth and ability to curate, screen and select contractors and temporary workers with specialized backgrounds when choosing between insourced and outsourced curation.

Who has the ingredients for delivering results and a positive candidate experience?

Who is best suited for building and maintaining relationships with candidates and proactively anticipating the needs of the business?

"Partnering with a best-in-class curation team can lay a solid foundation for a direct sourcing program and scale talent pools quickly," noted Kyle Fazio, direct sourcing manager for Magnit.

However, Fazio says, talent pool curation costs vary and should also be considered. For instance, bringing on an in-house team or third-party curation service that charges a flat fee can create fixed costs and extend the break-even point. Alternatively, engaging a curation partner that ties fees to outcomes — based on the number of contingent workers they add to the pool — balances costs with capacities.

Mini Case Study

The In-House Advantage

The goal of increasing contractor commitment was among the reasons that the managing director for a major accounting and consulting firm elected to go with in-house curation conducted by multi-disciplinary engagement teams.

“Internal teams have a better understanding of the needs of each project and position,” he explained. They are able to discuss all of the relevant information and find a contractor with the appropriate skills and mindset for each client and project.

Mini Case Study

The Outsourced Advantage

After an initial assessment, Khadivar concluded that Capgemini didn't have the bandwidth to vet freelancers internally. Plus, the firm needed a team of dedicated curation specialists to decipher technical requirements, screen technical contractors and match them with the right projects. Selecting an outsourced direct sourcing solution suite, curation partner and employer- of-record provider proved to be the lower-risk, higher-reward option. Although the goal was 30%, the direct sourcing team fulfilled 75% of demand through the first 90 days.

Mini Case Study

The Hybrid Advantage

For Southwest Airlines, a hybrid model was a win-win solution. The company's in-house team handles the curation, screening and placement of all directly sourced candidates regardless of status. However, they hand off the management of temporary workers and contractors to a third-party provider after a connection has been established, so they can continue to focus on talent curation.

You can't expect a candidate to have a favorable experience because you addressed one part of the journey, noted Southwest Airlines' senior director of talent acquisition. If the curation team will not be handling the care and feeding of contractors on assignment, clearly define the duties, responsibilities and hand-off point with a third-party provider.

“The experience a third-party management firm provides to directly sourced contractors should be an extension of the company's values, brand and philosophy,” he added.

Pilot, Refine and Expand

It's unanimous. The leaders we spoke with recommend testing the direct sourcing waters with a pilot program, rather than diving in head first.

“Don't try to boil the ocean, take a phased approach,” says Southwest Airlines' senior director of talent acquisition. Increase your chances of success by launching a pilot program in an area where direct sourcing can make a significant impact or improvement without hurting the business.

Although it may be tempting, avoid hard-to-fill positions in heavily regulated, specialized fields or remote locations, Osterhout added. Balancing degree of difficulty with supply gives a more realistic estimate of the expected results when a direct sourcing program rolls out to the entire organization.

For instance, Osterhout's team initially focused on specific skill sets. Once the pilot was functioning as expected, they expanded their talent pools to other skill categories such as IT, engineering, admin/clerical, accounting and finance, HR, procurement and some niche positions.

A focused pilot lets you validate all the elements of the program, explained the managing director at a major accounting and consulting firm. For instance, his curation team initially focused on recruiting for 15 skill sets over a four-month period. Things went so well that they rolled out direct sourcing to the firm's talent exchanges the following year.

Find the sweet spot, a business unit where the demand for talent, employer brand and stakeholder support is strongest. Also look for areas that offer economies of scale in terms of recruiting and fulfillment, such as call centers. Set goals for the pilot, review them at regular intervals and fine-tune performance before expanding logically and sequentially by skill set from one business unit to another.



Prepare to Engage

Completing two additional steps can ensure you attain hiring goals quickly and at scale once the direct sourcing curation process begins.

Incorporate the Human Touch

When competition for talent is fierce, a high-touch experience is critical for attracting, engaging and retaining directly sourced contingent workers. Khadivar refers to this as taking a “concierge approach.”

Simply put, a high-touch direct sourcing process requires human interaction and is committed to meeting the candidate’s needs and expectations, ensuring that they receive a positive experience throughout their journey.

For instance, Capgemini’s curation team is required to provide candidates with a status update within 24 hours of each encounter. Team members are also required to check in with contractors within 24 to 48 hours of a new assignment to make sure that they are assimilating and have all the essential tools they need.

However, it doesn’t stop there. A true concierge approach goes beyond basic communication; it involves regular touches that promote a feeling of community, a sense of belonging, of acceptance and inclusion among contingent workers.

Belonging has been proven to increase engagement and commitment and to empower diversity and inclusion efforts. What’s more, treating contingent workers like valuable, renewable resources who contribute to the company’s success encourages referrals and encore assignments. Those who successfully address this organizational “blind spot” will enjoy a competitive advantage in talent attraction and retention.

The Value of a Sense of Belonging at Work

- **56%** increase in job performance software for managing and
- **50%** reduction in turnover risk
- **75%** reduction in sick days

-Source: BetterUp and Deloitte.

Mini Case Study

Benefits of Going High Touch

Thanks to Khadivar’s “concierge approach,” Capgemini’s curation partner exceeded its goals right out of the gate. The team fulfilled 75% of demand for contingent talent from direct sourcing through the first 90 days, surpassing the target of 30%. Some 70,000 people are now registered in the firm’s private talent cloud, and fulfillment time averages five days.

Get Your House in Order

Roadblocks should be anticipated and dealt with early in the planning process to make sure the implementation of a direct sourcing initiative goes smoothly.

Establish Rules of Engagement

- ➔ Staffing firm contractors may want to join the company's talent pool and accept future assignments directly. To avoid disputes with staffing suppliers, leaders have proactively negotiated new conversion terms. For instance, Osterhout includes language in supplier agreements that preclude the use of non-competes and other restrictive covenants on the workers supplied to their program.

Link Standardized Job Descriptions to Real-Time Compensation Data

- ➔ Curation teams need clean, consistent job descriptions and integrated real-time, reliable pay data to make competitive offers to contractors. Inconsistent job titles and disparate sources of rate data can lead to inconsistent pay practices, the loss of good contractors to competitors and the violation of pay equity laws in some countries.

Ensure Compliance with Data Privacy Laws

- ➔ Make sure that curation teams and line managers are familiar with data privacy regulations as they relate to directly sourced contingent workers. Getting all stakeholders involved in data governance across the enterprise is a best practice.



Perfect the Art of Grassroots Curation

At last, it's time to start filling the talent pools. Although companies need to undertake many different types of recruitment and outreach strategies to build a repository of direct sourced talent quickly and efficiently, the most effective campaigns begin at a grassroots level.

Start with the people you know. "Asking employees and line managers to refer freelancers is the first step," Poore said.

It's also good advice. According to LinkedIn, companies can expand their talent pool by 10 times by recruiting through their employees' networks.

Get the word out. Post contract and contract-to-hire positions on the company's career page. Invite past and present independent contractors to join the talent community and let alumni, silver medalists, interns, applicants and other promising people know about opportunities to contract directly for the company.

"Leverage your employment brand to the max, because it produces the best-quality candidates," advised Fazio.

For instance, many leaders unite talent acquisition and marketing in running initial social media campaigns to make freelancers aware of contracting opportunities. Khadivar's team also uses AI-driven tools to identify potential contractors online and engage them via text or email.

Building a robust talent pool can take time, but the early adopters we spoke with all exceeded their initial goals and have expanded direct sourcing to new business units and countries.

"Our use of directly sourced contingent talent has become very, very strategic," noted the managing director of a major accounting and consulting firm. "Our discussions with managers no longer focus on filling requisitions but the ways that the talent we're finding can fuel growth and expand the firm's capabilities."



The Promise of Early Adopters

Most importantly, early adopters have answered a critical question: Do companies achieve the sought-after gains promised by direct sourcing? Their answer is a resounding “yes.”

Across the board, pioneers in direct sourcing have been successful in building robust pools of contingent workers, improving fill rates and time-to-fill, and achieving competitive advantage through intangibles such as loyalty and commitment. Their efforts have also been instrumental in moving their companies toward a total talent strategy and inspiring managers to create opportunities to maximize directly sourced talent and grow profits ahead of hiring demand. Consider the following examples:

Progressive Growth

When direct sourcing was rolled out to the internal talent exchanges at a major accounting and consulting firm, its first-year goal was to fill 25% of contract requisitions. The fill rate ended up being closer to 40%, and 60% in year two. Four years later, the firm’s internal talent teams are filling 85% of contract positions through direct sourcing, generating an estimated 2.5 million hours annually, many of which are billable.

Total Talent Acquisition

At Southwest Airlines, qualified applicants are never turned away. Because the team directly sources talent for all positions regardless of status, they can look across the enterprise and focus on matching the best applicant with the right opportunity. Total talent acquisition also incorporates Southwest’s talent strategy with its overall business strategy to enable its ambitious growth plan and ensure that no flights are cancelled due to talent shortages.

Global Expansion

When the demand for contractors slowed at Capgemini during COVID-19, Khadivar’s team continued building the firm’s talent cloud, allowing it to fulfill 45% of contract needs when demand rebounded in 2021. The firm implemented its Freelancer Gateway in India last year and plans to expand its direct sourcing efforts into Europe in 2022.

New Applications for Direct Sourcing

After experiencing early success with direct sourcing, Osterhout’s program team is now finding other uses for direct sourcing, such as implementing a student co-op and intern program, in partnership with his organization’s talent acquisition team.

Roadmap and Post-implementation Tips

Although leveraging a robust employer brand to mine underutilized sources of contingent talent can deliver a wide range of benefits, leaders need a thorough implementation plan. We've put together this checklist to help guide you through the key steps in the process.

1 Author a Visionary Business Case

A compelling, data-backed analysis of the current and future state of recruiting, key performance data and the impact of talent shortages on the top and bottom lines is the key to winning approval, building mindshare for direct sourcing, and overcoming concerns during the lengthy implementation process.

2 Set Data-Driven S.M.A.R.T. Recruiting Goals

Analysis of location, prevailing wage, supply and demand, and workforce demographics for each business unit and role is the key to creating recruiting goals that are realistic and achievable.

3 Define the Candidate Experience

Designing a high-touch process and candidate-centric experience from the outset can jump-start curation, encourage referrals, foster loyalty and commitment among freelance staff, and help to align subsequent decisions during the planning process.

4 Secure Executive Sponsorship, Stakeholder Approvals and Beta Testers

Garnering the support of an executive at the highest possible level provides credibility as you seek buy-in and approval from decision makers and users of staffing services, encourages adoption, and signals the importance of embracing new talent strategies.

5 Decide Between In-House, Outsourced or a Hybrid Model

Consider key factors such as the ability of internal teams to handle direct sourcing (especially over the long term), the company's risk tolerance, cost, and the overall goals and objectives of the program when deciding between an in-house, outsourced or hybrid model.

6 Build a Scalable Framework

For a direct sourcing program to grow and expand seamlessly and effortlessly, it must begin with an end-to-end direct sourcing solution suite, a competent curation team or partner, and an employer of record (EOR) service with global capabilities.

7 Establish an Effective Supply Chain

A scalable direct sourcing program requires support and expertise from a complex network of vendors. To sustain growth, leaders need to identify and engage job boards, recruitment marketplaces, engagement tools, skills testing and perhaps even staffing intermediaries from the outset.

8 Pilot, Refine and Expand

Find the nexus where demand for talent, employer brand and stakeholder support are strongest. Set goals for the pilot, review them at regular intervals and fine-tune performance before expanding logically and sequentially by skill set from one business unit to another.

9 Get Your House in Order

Establish rules of engagement with staffing suppliers, create standardized job descriptions and integrate real-time, reliable pay data to ensure the steady growth of directly sourced talent pools and fulfillment of contingent needs without disruptions.

10 Perfect the Art of Grassroots Curation

Although companies need to leverage their employer brand and employ diverse campaigns to build a repository of direct sourced talent quickly and efficiently, the most effective strategy is to begin at a grassroots level.

Post-Implementation Tips

Keep improving and expanding strategically and sequentially post implementation.

Most direct sourcing teams use intake calls to educate line managers about the benefits of direct sourcing, with the option to select the best resource for filling a role. To coax skittish managers, team members often request 48 hours to produce a shortlist of directly sourced candidates, before enlisting the help of staffing firms.

Using intake calls to engage in strategic discussions with line managers and offer them the best talent, regardless of status or source, can help the business grow, not just plug a hole. The exchanges move the company toward total talent optimization and the chance to negotiate extensive skill and experience requirements that make a position hard to fill.

“Eliminating skill and experience requirements from job descriptions that aren’t really necessary attracts more applicants to the pool and opens the door to a broader and more diverse pool of candidates,” said Southwest Airlines’ senior director of talent acquisition.

With more and more workers choosing freelance or contract jobs and with a roadmap in place, there’s never been a better time to implement a direct sourcing strategy for contingent workers.



About SIA and Magnit

About Staffing Industry Analysts (SIA)

Founded in 1989, SIA is the global advisor on staffing and workforce solutions. Our proprietary research covers all categories of employed and non-employed work including temporary staffing, independent contracting and other types of contingent labor.

SIA's independent and objective analysis provides insights into the services and suppliers operating in the workforce solutions ecosystem including staffing firms, managed service providers, recruitment process outsourcers, payrolling/compliance firms and talent acquisition technology specialists such as vendor management systems, online staffing platforms, crowdsourcing and online work services. We also provide training and accreditation with our unique Certified Contingent Workforce Professional (CCWP) program.

Known for our award-winning content, data, support tools, publications, executive conferences and events, we help both suppliers and buyers of workforce solutions make better-informed decisions that improve business results and minimize risk. As a division of the international business media company, Crain Communications Inc., SIA is headquartered in Mountain View, California, with offices in London, England.

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About Magnit

Magnit is a global leader and pioneer in contingent workforce management. Our industry-leading Integrated Workforce Management (IWM) Platform, supported by 30+ years of innovation, modern software, proven expertise and world-class data and intelligence, enables companies to optimize talent and diversity goals while achieving operational and financial success.

With Magnit, companies can adapt quickly to the evolution of work to grow their extended workforce with greater agility, efficiency, transparency and speed.



The Evolution of Work

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