



Go beyond AI recruiting

Direct Sourcing: A Powerful Recruiting Solution

The expansion of direct sourcing into mainstream recruiting is poised to transform the world of talent acquisition

Direct Sourcing

No longer just a contingent work force solution

In the world of talent acquisition, the search for more efficient and effective recruiting solutions has grown exponentially over the past several years. Spurred on by a number of factors, including more than [10 million unfilled](#) jobs in the market, a growing demand for improved diversity hiring, new and emerging skill sets, fierce competition for top talent in growing industries, and a major economic downturn, direct sourcing has emerged as the strategic solution to many of the workforce challenges faced by businesses today.

“Once seen as a model only applicable to a contingent workforce, direct sourcing has become more widely accepted as a solution to be incorporated into the mainstream talent acquisition strategies of businesses, both large and small, as well as enterprise organizations.”

In a survey conducted by Staffing Industry Analysts, (SIA) [60% of businesses surveyed](#) say they intend to prioritize direct sourcing over the next few years to meet their workforce demands.

At a time when gaining an edge over the competition is critical, implementing direct sourcing into your recruiting toolbox can help you develop a more agile, cost-effective and scalable talent pool. But before we discuss the roadmap for building an effective direct sourcing program, let's examine what direct sourcing actually is, the problems it seeks to solve, and the tangible benefits to be gained.

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Direct sourcing defined

To truly understand direct sourcing, it's important to separate the practice from the outcome. Direct sourcing as a practice is the process of engaging and sourcing talent directly, by strategically leveraging your employer brand and capitalizing on your own network of candidate resources (silver medalists, former employees, freelancers, retirees, interns, referral programs), to create a centralized pool of highly curated, on-demand talent that can be leveraged before launching a costly external campaign. Workers in these highly curated talent pools are often



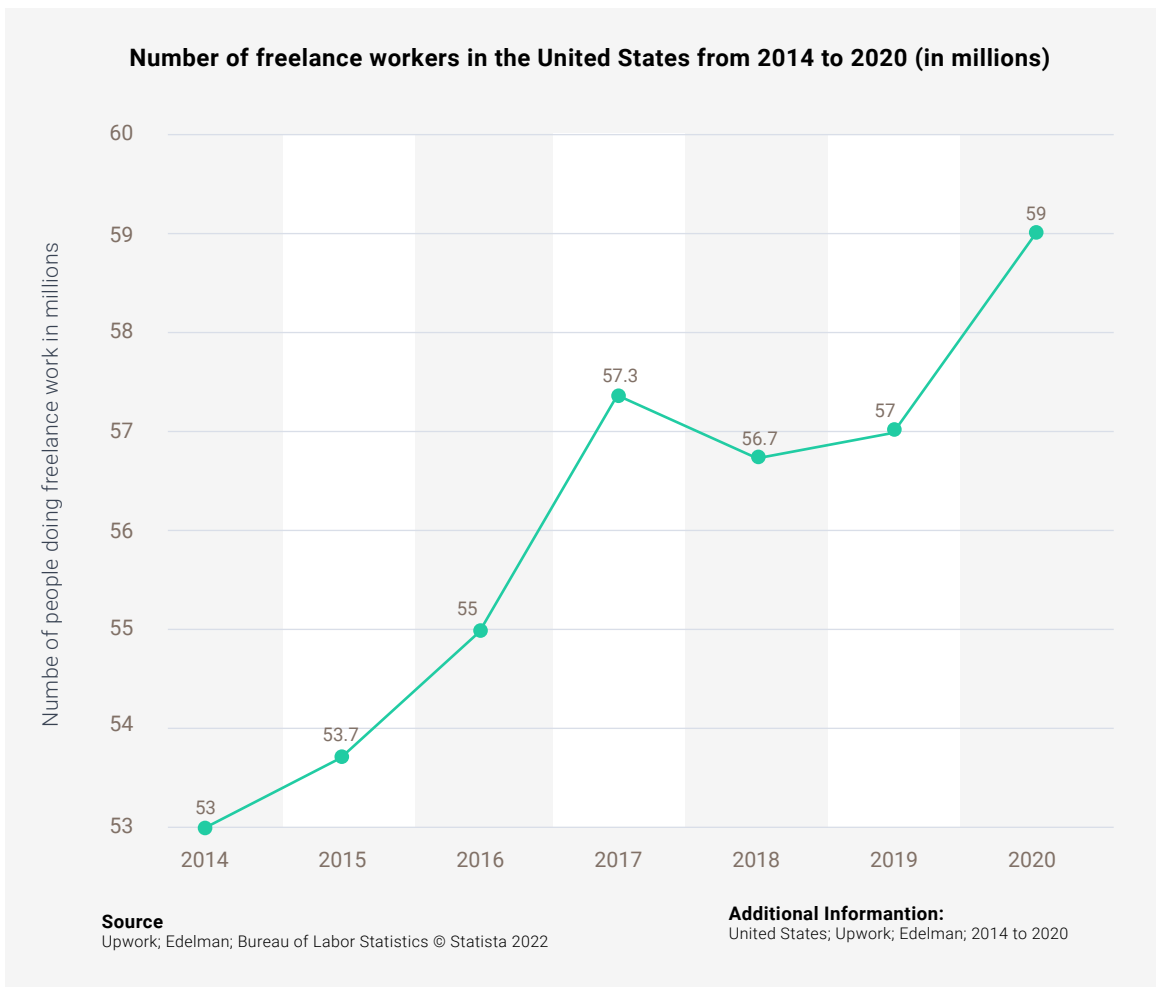
people who showed interest in working for the company in the past but were not selected - yet remain candidates to be considered for future roles. These candidates can be engaged, and re-engaged by a company, essentially becoming a valuable, reusable resource without the additional costs associated with indirect sourcing.

How is Direct Sourcing different from indirect sourcing?

In a traditional recruiting or indirect sourcing model, the focus is typically on finding full-time employees to fill long-term positions. This often involves engaging third party recruiters or staffing agencies at an additional cost. But in a direct sourcing model, candidate sourcing is typically performed by an internal team or HR department.

Contingent workforce management (CWM)

Historically, direct sourcing was described as the method for attracting, sourcing engaging and managing a contingent or non-employee workforce. Primarily used by staffing agencies and MSPs (managed service providers) to source and place temporary or contract labor, the evolution of direct sourcing can be attributed, in part, to the dramatic increase in the number of freelance and gig workers.

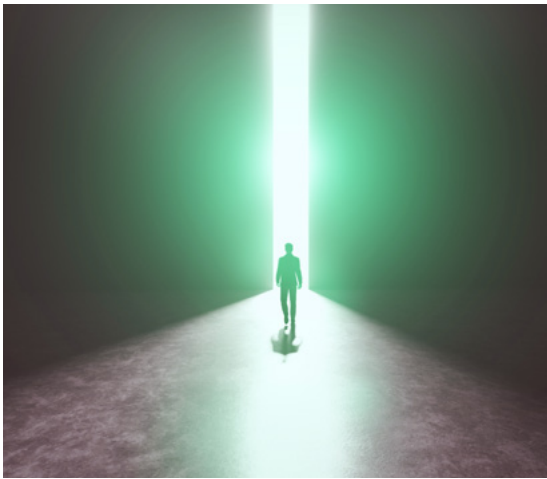


The meteoric rise of the gig economy from 2014 to 2020 drove the number of freelance workers in the U.S. to approximately [59 million](#), accounting for around 37% of the U.S. workforce. By 2028, that number is expected to rise to more than [90 million freelancers in the U.S.](#)

The future is freelance

As the war for top talent rages, and qualified candidates become harder to find, more and more companies are turning to this massive pool of freelance talent to fulfill their workforce needs.

A recent [Forbes article](#) states:



90% plus of corporate leaders in a recent global survey said they utilize freelancers and say they will increase their reliance on them in the future. Almost 80% of employers are increasing their use of freelancers as they suspend full-time hires.

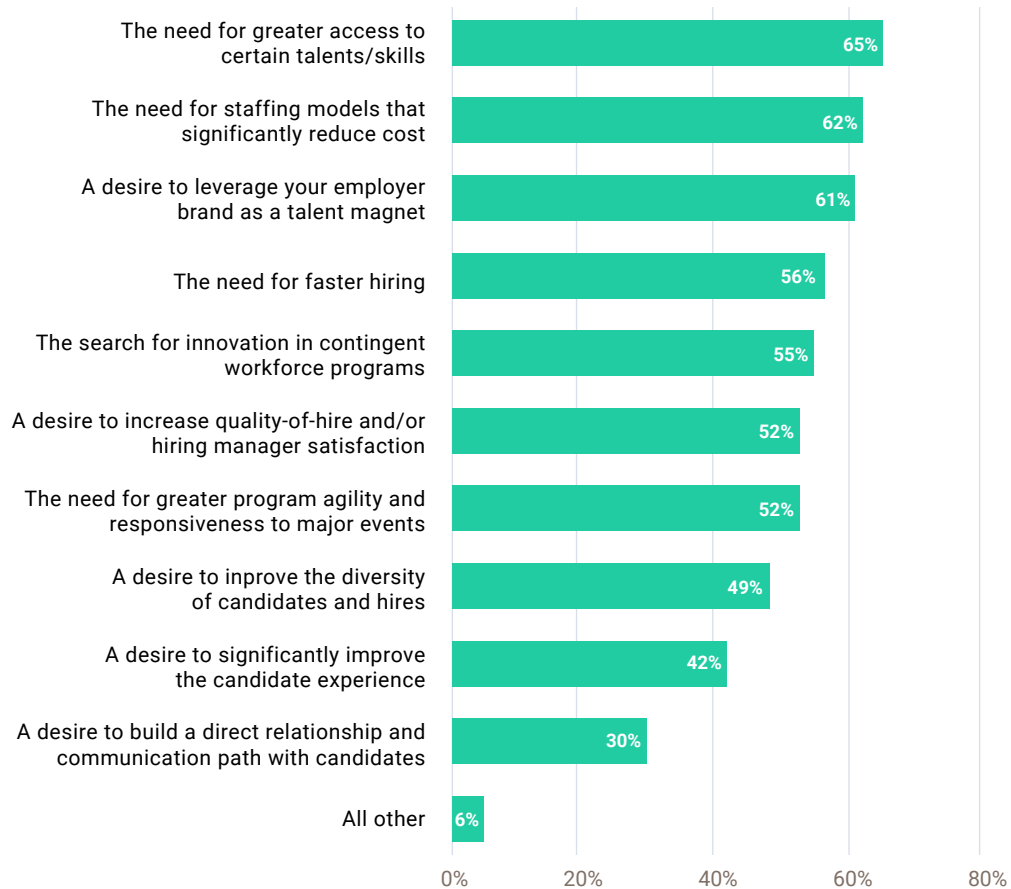
But there is still the question of how mainstream and enterprise organizations utilize a contingent worker talent pool. There are companies who outsource their entire Direct Sourcing program to external MSPs, some who apply a hybrid approach, and still others who take it all in-house. There is no across the board strategy that fits the needs of every business.

“But at its core, the value of a direct sourcing recruiting program is the ability to better manage and tailor your workforce to the specific needs and goals of your business.”

What problems does direct sourcing potentially solve?

Access, cost, employer brand, and speed direct sourcing adoption

Contingent direct sourcing drivers (% of respondents)



Question: Which of the following, if any, do you believe will drive and/or accelerate your adoption of contingent direct sourcing? (Select all that apply.) N=128.

The expansion of direct sourcing into mainstream recruiting is being prompted by more than just a growing freelance workforce. MSP and vendor management system (VMS) models have been at the forefront of direct sourcing and have greatly impacted the contingent workforce landscape over the past two decades. However, recent global events and economic factors highlighted flaws in these systems, which in turn is driving the demand for increased functionality, better data analytics and more access to curated talent pools. According to a 2020 SIA Workforce Solutions Buyer Survey, businesses are looking to direct sourcing as a way to increase their access to more compatible talent - quickly, and affordably.



The tangible benefits of implementing a direct sourcing program

It's important to understand that incorporating direct sourcing into your talent acquisition strategy may not net results overnight. But the multitude of long-term benefits certainly make it an attractive option.



Decreased costs

In a direct sourcing recruiting model, businesses are able to bypass the high markups of traditional staffing suppliers. Typical staffing markups can range from [45% to 50%](#). However, with direct sourcing, companies save approximately [\\$14,000](#) annually per worker. There are also savings to be had from managing compliance processes more efficiently when you take your recruiting processes in-house.



Curated, proprietary talent pool

With direct sourcing, your talent pool is curated from your own resources and built to suit the specific needs of your business in terms of culture, skills, diversity hiring goals and overall compatibility. You also won't be sharing talent with other companies that a staffing agency or third-party vendor may be working with. You'll likely be working with pre-vetted, proven candidates. Known resources, who are far more likely to be compatible resources, can improve your chances of hiring the candidates most likely to succeed in the job.



Hiring flexibility and productivity

Having a flexible, ready to work talent pool allows you to hit the ground running with a workforce who can also hit the ground running. Direct sourcing also makes it easier and faster to engage with pre-qualified candidates you already know. The efficiency and productivity gains can be a game changer that can give you a much-needed edge over the competition.



A scalable workforce

As your database of pre-qualified talent grows, you can scale your workforce up quickly and easily when you need to. If market conditions change, you can scale it back down just as quickly.



Access to new and emerging skill sets

Direct sourcing makes it much easier to close the skills gap when you're sourcing hard to find talent. Why? Because your access to emerging or specialized skills increases as your talent pool grows with past applicants and other qualified talent.



Improved diversity hiring

[Studies show](#) that men will apply for a role if they meet at least 60% of the desired job qualifications – but women will only apply if they meet 100% of them. By building a



branded Talent Cloud for your contingent workforce, candidates of all backgrounds can express interest in your company, rather than responding to strict, criteria-focused job ads. (Source: LiveHire Research) Direct sourcing allows you to have more control over the entire hiring process, making it easier to strategically connect and engage with diverse candidates, and improving your ability to achieve diversity hiring goals.



Build brand recognition

Leveraging your employer brand to engage, nurture and retain talent is a critical element to a direct sourcing program. In traditional sourcing models, staffing agencies and recruiters rely heavily on the job description to attract candidates. Utilizing your employer brand to attract talent has the added benefit of increasing brand exposure as well as enhancing brand reputation with candidates who are happy to spread the word about your organization being a great place to work.



Boost retention and minimize employee turnover

Building a robust pool of ready-to-work candidates can mitigate and even eliminate employee turnover, which can cost a company an estimated [1.5 to 2 times](#) of an employee's salary.



Maximize ROI by capitalizing on talent you've already invested in

Perhaps one of the most beneficial aspects of direct sourcing is the ability to tap into your own candidate resources. Candidates you may have already invested time, training and money on.



Rediscover hidden talent

Even though nearly all ([99%](#)) of companies believe re-engaging candidates will help them build their talent community and protect their employer brand, fewer than half of employers ([43%](#)) re-engage declined candidates. Declined candidates can include both silver medalists, as well as finalists in the interview round. With the right direct sourcing technology and strategy, you can rediscover and re-engage with hidden talent in your pipeline who may have slipped through the cracks as a result of poor candidate engagement. In a direct sourcing model, candidate engagement and rediscovery is virtually built into the overall strategy and can help reduce your overall recruiting spend.



Consolidate recruitment processes with direct sourcing

Direct sourcing has become a useful tool for consolidating recruitment processes that may have previously been outsourced to multiple providers. By establishing an internal direct sourcing program, companies are able to consolidate and simplify workflows, minimize costs, and speed up time to hire.



The roadmap to launching an effective direct sourcing program

Now that we've explored the benefits, it's time to discuss the roadmap for getting your direct sourcing program off the ground. And that starts with understanding your present and future talent acquisition needs. It also means defining what qualities ideal candidates should possess, discussing and refining job descriptions, and forecasting your talent requirements for the short term and down the road. But getting buy-in from executive leadership is essential to ensure you have sufficient resources to launch your direct sourcing program effectively in terms of tools, technology and support. With emphasis on the technology part.

How technology fits into direct sourcing

One of the key drivers behind any recruiting strategy, but particularly a direct sourcing recruiting strategy, is the tech behind the strategy. Or as is the case for some businesses, technologies - plural. In many instances, multiple HR technologies or applications may be necessary to meet an organization's recruiting needs. However, having multiple technologies in place can create inefficiencies and data duplication.

One SIA research report examined data collected from IT and HR executives at more than 750 enterprise organizations, in which Ben Eubanks, principal analyst at Lighthouse Research & Advisory, noted, "Those with 10+ HR applications in place are two times more likely to say that their HR tech limits efforts to be agile and resilient." The report outlines in depth the role technology plays in next generation talent initiatives including direct sourcing and identifies a fundamental need for true end-to-end technology solutions to address the needs of an evolving talent acquisition landscape.

Data-driven talent sourcing

At the center of the argument for end-to-end direct sourcing technology solutions is one little four-letter word – data. Data that comes from advanced AI and machine learning that offers the ability to assess the market and identify, engage and retain the most compatible, yet cost-effective talent available. Data that also provides real-time market insights and intelligence that enable more efficient workforce planning and forecasting. It's not an understatement to say that choosing the right technology to power your direct sourcing program may be the single most important aspect of getting it off the ground successfully. So, what are the must-haves?

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Direct sourcing technology must-haves

- **AI-driven, advanced talent scoring and ranking** - Emphasis on the advanced part. Because to build a top-notch, highly curated pool of candidates, you're going to need more than just an AI platform that matches job skills to resumes. A platform that goes beyond conventional AI to source the talent most likely to excel in the role you're looking to fill. It's a tall order but it's also an essential part of developing a thriving pool of qualified talent. This is where an AI platform like Arya stands out from the rest. Using more than 300 attributes most AI tools ignore, the Artificial Intuition in Arya is uniquely focused on delivering compatible candidates who are more likely to succeed in the role, resulting in faster time-to-hire, decreased employee turnover and better long-term outcomes.
- **Automated and customizable workflows** - It's safe to say most platforms have some level of automation and customization capability. But again, all AI tools are not created equally in functionality. Start by identifying the repetitive workflows and processes that, if automated, could free you up for more important tasks. Next, assess the platform's ability to achieve your goals. The automation and customization features in Arya, streamline the entire recruiting lifecycle and drive maximum recruiter efficiency.
- **Market intelligence** - A platform that enables you to transform critical market insights into actionable strategies is the key to developing proactive, data-driven direct sourcing strategies. The advanced market intelligence in Arya helps you drive more effective talent initiatives by leveraging real-time insights on - industries to target for potential roles, skill set distribution across potential talent, intel on companies you're competing with, ideal locations to target compatible candidates by country, state, city and zip code, and the impact of education, experience and certifications on predicted job success.
- **World-class candidate engagement** - The blueprint for building a curated talent pool that serves the needs of your organization definitely includes delivering an unparalleled candidate experience. Which is the end result of your candidate engagement efforts. That makes candidate engagement one of the most important parts of a direct sourcing program and a direct sourcing tool. The multichannel candidate communication dashboard in the Arya platform gives you the ability to connect, engage and nurture candidates their way - whether that is via email, talk, text or chatbot.
- **Seamless integration with your tech stack** - No one wants the hassle of a complicated integration process that takes months and is difficult to implement. You need a platform that can be seamlessly integrated without disruption to your existing workflows. Arya is built on an open API platform that allows for a smooth integration into your existing application tracking system or vendor management system.



Select the right tech, then establish a unified front

An essential component to success is rooted in forming a collaborative relationship between talent acquisition, procurement and executive leadership. Identify your internal direct sourcing team and collaborate with executive leadership to align all stakeholders as to the path forward, and clearly communicate individual and overall program expectations.



Strategically build your talent pipeline

Start curating your talent pool. A good place to begin is in your own backyard with prior applicants who were considered contenders but weren't hired. (Silver medalists) Reach out to former employees, retirees, interns and freelancers who have a history and a positive impression of your organization. Consider leveraging your presence on social media to connect with candidates and seek candidate referrals from internal employees to expand your pool of talent.



Connect, engage and repeat

Develop a plan for how your team will engage with talent in your pipeline. Or more accurately, a plan for how to keep talent in your pipeline engaged. As your pool grows that can become a larger and larger task. That's why it's so important to have a direct sourcing platform in place that has the ability to automate candidate communication through a myriad of channels. The multichannel communication dashboard in the Arya platform helps you stay connected with candidates via their preferred method of communication, simultaneously freeing you up for other important tasks.



Track your progress and adjust accordingly

Nothing improves performance quite like data-driven metrics. Keep your eye on the ball and measure the results of your direct sourcing initiative periodically. More importantly, leverage that information to fine-tune your efforts even further.



Leverage other candidate resources -

Your talent pipeline may grow quickly, or it may take longer depending on your internal talent resources. This is where having the right direct sourcing technology can amplify your efforts. For example, the Arya platform can help you maximize your sourcing power by providing instant access to a proprietary pool of 800+ million scored, ranked and AI-vetted candidates.



Establish clear classifications for your contingent workforce

To avoid claims arising from misclassification of independent contractors in your direct sourcing program, it is important to understand the state-based regulations and tests for classification. According to the IRS, a worker is classified as an independent contractor if the payment provider is responsible for directing only the result of their work, not how the work is done. However, a current trend in the U.S. favors the adoption of stricter state-based tests for the classification of independent contractors.

Driven by this trend, the 2020- 21 CXC Contingent Workforce Global Trends report found the U.S. is currently rated medium to high risk for contingent worker misclassification claims. As it relates to Direct Sourcing, it is important to note that while direct sourcing program can enable speedier access to suitable contingent, management and messaging to contingent workers must be in accordance with state independent contractor regulations.



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