



Direct Sourcing

A conversation with workforce management expert John DeWeerd

Direct Sourcing is gaining popularity with companies looking for ways to reduce the cost and time associated with engaging quality contract talent. Incorporating Direct Sourcing into their total talent management strategy is helping these companies shorten the time to fill jobs, lower bill rates, and improve productivity by working with consultants who are pre-qualified, available, and known to the company. We sat down recently with John DeWeerd to learn more about this innovative workforce management approach.

First off, what exactly is Direct Sourcing?

Great question. If you web-search this term, you'll find hundreds of different definitions and approaches! At its most basic level, Direct Sourcing is about bypassing third-party recruiting firms to directly source and engage contract talent. How this happens varies widely. For some companies, the solution is technology-driven only – a software tool that hiring managers use to access a pool of already known or interested contractors. For others, the solution combines the software tool with additional services to populate, curate, and maintain that pool of contract talent for the managers.

What's behind the current popularity?

Think about our current marketplace. Low unemployment. More independent contractors. Managers doing more with less. Speed, cost, and quality are key. We're seeing companies attracted to Direct Sourcing for two reasons. First, it's faster. Sourcing from a

pool of already known and interested contractors lets companies bypass third party recruiters and shorten the hiring cycle. Second, it's more cost effective. Companies looking to cut costs often demand lower contractor rates. But this cost-cutting measure is at odds with today's market. Low unemployment is allowing quality contractors to ask for higher pay, which forces staffing suppliers to increase – not decrease – bill rates. Bypassing staffing suppliers means you're also bypassing staffing supplier markups.

Will Direct Sourcing replace recruiters someday?

The short answer is no. Direct Sourcing automates the transactional aspects of recruiting, so recruiters will be able to focus on the more relationship-based aspects of their profession. Direct Sourcing uses automation to source and create a shortlist of contractors for recruiter or talent curator review and follow-up. Automated workflows for communication improve time and consistency. And we should note also that with Direct Sourcing, contractor availability, and interest are established before personal contact is made, which streamlines the process even further.

What's the role of the MSP/VMS in Direct Sourcing?

The role of the MSP/VMS changes very little with a Direct Sourcing strategy added to the mix – just a slight difference in how requirements are distributed. For example, for open positions that can't be directly sourced, Hiring Managers still enter requirements, the MSP still does a quality check of those requirements, and the requirements are still routed for approval before being sent out to staffing suppliers. For open positions that can be directly sourced, the requirement can be routed directly to contractors by integrating the VMS and Direct Sourcing technologies. Contractors can then apply and be submitted to the VMS as candidates just as in the traditional process. Everything else – engagement, management, on/offboarding, candidate selection – remains the same. The biggest difference? Directly sourced candidates have the same pay rate as supplier-sourced candidates, but with a 10-15% lower bill rate.

How difficult is it to install the Direct Sourcing software?

Setting up a Direct Sourcing solution is not much different than adding a new staffing supplier to the company's program. Leading Direct Sourcing technology providers can integrate their software with that of all leading VMS providers, with no additional setup or cost. Once installed, the effort shifts to building and maintaining the company's community of talent.

What's involved in building and maintaining the community of talent?

The Direct Sourcing service provider creates, grows, and manages the Direct Sourcing talent community on the company's behalf. Activities include such things as keeping contractor profiles up to date, validating contractor skill sets, monitoring community member activity, and reaching out to contractors regularly to maintain their interest. The goal is to maintain the most relevant and engaged community possible. As you can imagine, collaboration between the service provider and the company's talent acquisition team is key – they work together up front and ongoing to customize and grow the community to meet the company's needs. For example, some companies fill their communities with former and known contractors, some want to keep in touch with retirees and alumni, some look at engaging viable candidates from their ATS systems. Or all of the above. Some companies use Career pages to promote positions. There is also a communication component – how best to publicize and encourage participation from contractors. Other decisions include choosing between a public and private community. The Direct Sourcing service supplier walks companies through these and other decisions to determine what's best for their organization.

What's the difference between a public and a private community?

In a private talent community, the contractors are known to the company and often have already expressed a desire to work for that company. In a public community, contractors have direct access to job requests, but have little or no control or visibility into the companies that are asking for help – in this case, it's all about skills matching, not company matching. There's no real difference from a sourcing process standpoint.

What's the ROI?

Cost savings begin with the first placement that was directly sourced instead of supplier-provided. Because it's all about markup. The typical staffing supplier markup ranges from 45%-50%. With Direct Sourcing, contractors are engaged directly, which reduces the cost associated with recruitment in a traditional model. The Direct Sourcing markup is typically 10%-15% lower than staffing supplier markup, which covers the cost of both the technology and service providers. We're seeing companies save approximately \$14k per contractor per year, even while paying the contractor more than in a traditional model. Higher pay helps companies attract and retain higher quality talent.

Is it right for everyone?

No. But when it is right, the value is significant. Factors to consider include volume of contractors engaged, maturity of contract resource strategy, strength of the company's brand to attract talent directly from the marketplace, and types of roles typically engaged on a contract basis. If a company uses staffing suppliers today, there's a good chance Direct Sourcing will bring value.

How should companies decide whether Direct Sourcing is right for them?

No one wins if Direct Sourcing is not right for a client's company, so it never hurts to talk with a service provider to find out. Companies can give me a call or send me an email. I'd be happy to help them assess whether Direct Sourcing might be of value to their company. (John DeWeerd: 312-550-6513 | john.deweerd@hiregenics.com)

Meet John DeWeerd



John is a Human Capital and contingent workforce solutions expert who specializes in large, complex, outcome-based projects that drive quality, mitigate risk, generate cost savings, and streamline process.

"My focus is on developing strong relationships and delivering unique and relevant solutions. With each client relationship, I first learn and understand the strategic priorities and potential roadblocks to the desired solution. Only then is it possible to provide relevant knowledge, tools, and information to design a solution and determine if there is a right fit to meet the client's business goals."

About HireGenics

HireGenics provides workforce risk mitigation and talent optimization solutions for mid-market to Fortune 100 companies worldwide. We specialize in Employer/Agent of Record Services, Direct Sourcing Solutions, and MSP COE Services to optimize the contingent labor process. And we are experts in independent contractor and small/non-preferred supplier compliance, management, and strategy services. Our 12,000 consultants work across a wide range of skills and labor categories. HireGenics is an ACS Group Company.

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