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# WHAT IS DIRECT SOURCING?

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CONTINGENT WORKFORCE INSIGHTS

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# DIRECT SOURCING

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Early generation contingent labor programs tended to focus on preferred vendor sourcing. More recently, companies have recognized the benefits of sourcing resources themselves. Such benefits include better cost control measures and improved overall program management and performance.

In this white paper, we define direct sourcing, identify the trends driving its popularity, address common myths and share our recommendations for client contingent workforce executives.

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## What Is Direct Sourcing?

Direct sourcing is the practice of recruiting and hiring contractors directly as opposed to indirectly through a staffing agency or services supplier.

Most organizations are unaware of just how much direct sourcing they do and are shocked to discover that it often makes up more than half of their overall contingent labor program. As a result, direct sourcing becomes the most utilized acquisition channel in their contingent workforce program.

Newer generation contractor programs are recognizing the related inefficiencies, as they are tackling direct sourcing activities head on with measures designed to improve transparency and control costs.

Procom has over 25 years' of experience supporting large employers with their direct sourcing and contractor payrolling services. This paper will address some of the most common concerns that arise when establishing a program. In future white papers, we will discuss various program structures that help ensure optimal compliance and risk management.

## Check Out Our Entire Direct Sourcing Reading Series

This paper provides an introduction to direct sourcing basics. Check out our publications on [Cost Optimization](#) for more in-depth detail.



## Direct Sourcing In Context

Employers have many choices on how to identify and engage contingent workers. Options vary based on the size of the transaction, complexity of the acquisition and line of sight to the identity and contributions of the individual workers.

Traditionally, direct sourcing has been favored by managers for its simplicity and relative freedom from the red tape that usually accompanies a structured managed services provider (MSP) program.

Here is what it looks like:

### The Sourcing Continuum Resource Acquisition Channel

- ▶ Higher visibility
- ▶ Less complexity
- ▶ Smaller transactions

- ◀ Lower visibility
- ◀ More complexity
- ◀ Larger transactions



Direct Sourcing



Preferred Vendors



Non-Preferred Vendors



Services Partners



Statements of Work



Fixed Price Outsourcing Projects



Outsourcing

## Why Are Organizations Choosing Direct Sourcing?

Direct sourcing occupies a sweet spot in contingent worker recruiting. It is effective, easy to do and not heavily burdened with rules or red tape. All this has made it an attractive complement to traditional competitive sourcing options.

Specific trends include:

### Technology has made it easier

For both formal and informal direct sourcing, it's easier than ever to use technology, social media and referrals to solicit candidate recommendations from colleagues and reconnect with past contractors (alumni).

### There is a perceived opportunity to save

Many believe direct sourcing is more cost effective as they are able to avoid the fees associated with an external vendor.

### Access to better candidates

Direct sourcing offers access to stronger, more senior candidates who would not be available under a typical program rate card built around

market average pricing with cost control in mind.

### Less anxiety in the hiring process

When a candidate is referred to a hiring manager from someone they know and trust, the hiring manager places a large value on the referral versus potentially unknown candidates introduced through a competitive search process.

### Greater control

When a hiring manager is able to use their network to source talent directly, they often retain greater control over the process and outcomes as compared to the service received through a structured MSP program office.

In many programs, direct sourcing doesn't involve the program office until the onboarding stage. By then, the selection process is already over.

### Better service

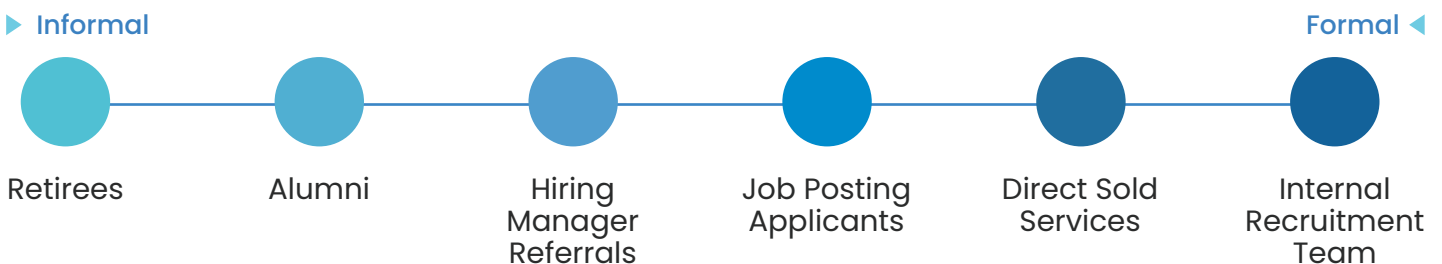
Some hiring managers prefer the additional service they receive from a recruitment provider (which is typically prohibited in most formal MSP/VMS preferred vendor programs).

## Common Strategies For Direct Sourcing

Direct sourcing is a broad term that can cover a variety of different candidate acquisition strategies. Informal strategies are present in all organizations to some degree, but formal ones generally require higher resource and financial investment.

Staffing Industry Analysts, a leading contingent workforce consultancy, defines direct sourcing as "A term commonly used to refer to the process by which a company leverages its own internal candidate pool (i.e. former employees, retirees and applicants from its own applicant tracking system) to place within the company as temporary employees. The temporary employees are most often placed on the payroll of a third party payroll provider."

### Informal to Formal Direct Sourcing Channels



[Interested in learning more? Download the top 10 myths about direct sourcing here.](#)



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Procom is an award-winning provider of talent acquisition and contingent workforce management services to enterprise organizations across North America.

We are committed to establishing trust in our relationships, creating long-term value and consistently delivering creative and innovative solutions.

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