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Innovative Employee Solutions

Whitepaper

Navigating the new era of talent acquisition with Next-Gen Direct Sourcing

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Introduction

As the business world becomes more competitive, it's only natural for companies to rethink their recruitment strategies. For many companies, one of those recruitment strategies has long been Direct Sourcing.

> Building a team of skilled, motivated, and creative talent through Direct Sourcing strategies can serve as a strong foundation for success.

What is Direct Sourcing?

Direct Sourcing is a method for directly engaging known talent — often previously utilized talent — for openings in an organization. Relying on known quantities helps create a richer talent pool. It's almost like establishing a renewable resource.

The problem is that traditional Direct Sourcing has become time-consuming, competitive, and lacking in data-driven insights, resulting in a resource that's no longer as renewable as it once was. Businesses return to their talent pools only to find them underpopulated, if not completely uninhabited. Complicating matters further is the talent themselves and their expectations for the candidate experience, which is typically disjointed, lengthy, unengaging, and overly reliant on multiple parties throughout the Direct Sourcing process. After such a complicated ordeal, employers just don't seem all that attractive.

> With the need for greater control and cost effectiveness and the ability to connect with potential hires, companies have begun looking for new ways of sourcing. **The next-gen approach is much more comprehensive.** It leverages advanced technology, data analytics, and innovative engagement strategies to unify the Direct Sourcing lifecycle and create a stronger candidate experience. It also streamlines the process and improves the quality of hires, making talent acquisition efforts more efficient and effective.

The evolution of Direct Sourcing.

Sourcing contingent workers was once a responsibility best left to intermediaries, namely recruitment agencies. While still a source for talent acquisition, the process is now evolving, with a growing number of companies directly identifying and engaging contingent candidates through online platforms, networks, and similar channels.

A large part of this is the result of a more competitive hiring market, making it necessary to embrace **forward-thinking Direct Sourcing strategies** that better align with not only a company's business objectives, but also its talent management philosophy. Advancements in technology have also played a role, along with market trends favoring cost-effective, data-driven hiring practices. The time has simply come to employ more innovative approaches to Direct Sourcing.

Though change can be difficult for almost any business, there is a silver lining to all of this. Embracing this evolution to Direct Sourcing offers:

- ✓ Greater Control
- ✓ Cost-Savings
- ✓ Access to Wider Talent Pools

Making it easier to find and secure **top-quality talent** in a competitive job market.

The benefits of next-gen Direct Sourcing.

80%

Reliance on the **contingent workforce** only continues to grow, with more and more businesses turning to contractors, freelancers, gig workers, and the like to fill open roles and skills gaps. Already, **80% of global firms** **use contingent workers.** With this growth has come the need for next-gen Direct Sourcing, especially in the wake of talent shortages and the subsequent war for talent.

However, leveraging next-gen Direct Sourcing isn't just about necessity. It also provides competitive advantages, including the following:

Cost savings.

Workforce recruitment and management can eat up a large portion of an organization's payroll budget. Just consider the markup when sourcing through more traditional third-party recruiters, which can range anywhere from 20% to 40% per hire — and that's on top of all the other employment costs.

While caps can obviously be set during contract negotiations, those markups remain, and then there's still the matter of workforce management. Leveraging the next generation of Direct Sourcing, especially those vendors equipped with multiple-point solutions, can significantly lower the costs of hiring and managing workers.

Third-party recruiter markup ranges between 20% to 40% per hire.

Reduced time to hire.

On average, it takes a company up to **55 days to hire a candidate** through traditional hiring methods, and that includes conventional third-party recruiters. Referred talent is an entirely different story, taking on an average of 29 days to bring the referred candidate onto the team, which is another cost-saving benefit for the company.

What's more, a referral through a next-gen Direct Sourcing solution often results in a better hire, as they're already a known quantity. Much of the guesswork around whether the candidate is a good fit has been taken out of the equation, helping to lower new hire turnover rates - 20% of which generally happens within the **first 45 days of employment**.

The benefits of next-gen Direct Sourcing.

Improved quality of hire.

As already mentioned, next-gen Direct Sourcing candidates (including employee referrals) have a strong understanding of the company and its culture. So, they'll have a better idea of what it takes to be successful in the role. That in and of itself can improve the quality of hire.

However, next-gen sourcing leverages technology to create curated talent pools. Not only does this ensure that companies secure the necessary skills and background for a given role, but it also expands their access to experts in the field. This is especially true for contingent workers, who are often skilled in very specific areas and can bridge knowledge gaps within an organization.

Average Time to Hire

55 DAYS vs. **29 DAYS**

Traditional Hiring

Referred Candidate

Understanding the ROI of next-gen Direct Sourcing.

$ Understanding the full ROI of a recruitment effort is similar to understanding the full ROI of an employee. It's a numbers game, so let's take a moment to look at a few equations:

Time to hire.

The equation for calculating time to hire is fairly straightforward. It often starts with the opening date of a given role, and then subtracts the days to enter the talent pipeline from days to accept an offer.

If, for example, an individual applies for the position five days after the job posting goes live and accepts an offer 30 days from that "live" date, the time to hire would be 25 days. Then, it all comes down to comparing the time-to-hire number of each recruitment effort to determine which provides the best ROI.

Cost per hire.

Cost per hire requires a bit more number crunching, but the math isn't all that complex. For this equation, add together all the recruiting costs associated with a recruitment channel within a specific timeframe and then divide the total number of hires brought in through that channel during that timeframe. From there, it comes back to comparing the channels to determine which one provides the greatest ROI and cost-savings.

Quality of hire.

While quality of hire is fairly subjective, it's still possible to measure ROI. Start off by identifying some important quality indicators. After arriving at a set of indicators, place a numeric value for each indicator. Add those values together, and then divide by the number of quality indicators. That can help determine which channel brought in the highest-quality hires.

Key components of next-gen Direct Sourcing.

> Recruiting has always been a process of bringing in the "best-fit" talent. That much hasn't changed. What has is the talent landscape, with applicants becoming much more discerning in the positions they're willing to take. This has left traditional recruiting models falling short of meeting the needs of today's businesses.

Next-gen Direct Sourcing solves this problem. As with anything in business, however, success will hinge on how the program is built. These three components can serve as the foundation of a Direct Sourcing program:

Technology

Technology has drastically changed the recruitment landscape. AI, in particular, has become an essential component with its ability to automatically sort through applicants, identify relevant skills, and improve candidate sourcing. It frees up recruiters and hiring managers to focus on more value-added tasks. So, it only stands to reason why technology would be the electricity on which a next-gen Direct Sourcing program operates.

The necessary technology includes digital solutions for talent pool planning, candidate profiling, recruiting, engagement activities, prescreening, analytics, talent source attribution tracking, and more. It's about creating an ecosystem of sorts, which will need to be managed, measured, and orchestrated by a managed Direct Sourcing (MDS) solution provider. The MDS provider will be tasked with bringing together technology, engagement and curation strategies, and employer or agent of record partners into the solution that meet the company's needs. Additionally, they will manage the analytics and continuous process improvements to the program — all under one contract.

Key components of next-gen Direct Sourcing.

Data analytics

Data analytics and predictive modeling will help businesses identify and engage top talent based on direct and complementary skills, experience, and the like. It's all in an effort to find the candidate that would be successful in the role. Data analytics and predictive modeling can also help with skills assessment, testing, and screening as applicants enter the candidate pool. Think of this as a pre-vetting process for those individuals most likely to accept and succeed in a role.

Talent engagement strategies

Talent engagement strategies will vary from one organization to the next, as not every business will be looking for the same type of talent. However, a few aspects will remain the same and be key to engagement across the board. Creating a blueprint of the company's workforce needs that align with the overall operational goals will be the first step, helping to nurture a more curated talent pool. This will require some companywide planning and forecasting, so it may help to bring together people from various departments to understand exact needs.

Organizations should also leverage AI and skills testing to ensure talent pools remain fresh with the highest quality of pre-vetted and available talent. Then, they can begin crafting engagement campaigns to continue to source top talent and ensure candidates in the talent pools are active and engaged. Technology-enabled marketing will be valuable for adding efficiency to this part of the process.

The future of recruitment.

Direct Sourcing will inevitably continue to evolve, especially as the job market shifts. However, the next-gen approach is reshaping the way companies connect and engage with talent for the better. It offers candidates a much better experience and provides companies with a higher quality of talent to choose from.

Unlock a new generation of Direct Sourcing.

Contact IES to learn more about Direct Sourcing Simplified (DSS), a Direct Sourcing solution with total end-to-end management through an integrated ecosystem, delivering a simplified process and an exceptional experience for both companies and candidates.

Consult an expert

Connect with us today!

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