

# The Next Generation of Managed Direct Sourcing

Christopher J. Dwyer  
Senior Vice President, Research

October, 2021

## REPORT SPONSORSHIP

The views and opinions in this report represent those of Ardent Partners at the time of publication. Sponsoring companies have had no measurable influence on the content and research in this report. The contents of this research report are the exclusive property of Ardent Partners. Please direct any comments or questions regarding the content and/or our research sponsorship policy to Ardent's Chief Research Officer, Andrew Bartolini, at [abartolini@ardentpartners.com](mailto:abartolini@ardentpartners.com) and/or 617.752.1620.

### Sponsor:



GRI, a Bain Capital portfolio company, manages billions of dollars of contingent workforce spend across the globe. They provide cost-effective, innovative MSP solutions to drive workforce visibility, deliver material cost savings and attract better talent. With solutions underpinned by market insights and business intelligence, GRI stands distinctly apart from the industry because they invest solely in MSP services.

GRI is the only independent MSP that is singularly focused as a Clients' advisor and advocate. Vendor-neutral and free of all channel conflict, they are not owned by a staffing company or beholden to corporate-mandated business interests. GRI works only for their Clients and operates with one goal: to deliver the most effective, efficient, value-driven MSP platform. With over two decades of experience supporting some of the world's most recognized brands, GRI's model is unique, proven and forward thinking. For more information, please visit [www.geometricresultsinc.com/us](http://www.geometricresultsinc.com/us).



## Executive Summary

Marked by transformation and led by Future of Work accelerants, the world of talent and work continues to shift and advance at an aggressive pace. Buoyed by the rapid growth of the “extended” or “agile” workforce, businesses today face more pressure than ever before in terms of engaging, acquiring, and sourcing the best talent for their mission-critical projects. In response, direct sourcing has emerged as a top strategy for businesses that want to reimagine and/or enhance their approach to talent acquisition. By harnessing the power of on-demand talent pools, organizations can revolutionize how they match key skill gaps with the best available talent and expertise, especially as talent marketplaces, talent communities, and other key channels to find workers become more prevalent.

As “Managed Direct Sourcing” (MDS) becomes a primary path to driving the key elements of direct sourcing (including talent curation, talent segmentation, integration into recruitment streams, orchestration of various outlets of automation, etc.), it will be critical for businesses to blend together the best aspects of a true, end-to-end direct sourcing program while balancing talent and costs to ensure sustainable success.



## The Rise of Direct Sourcing

By the start of 2020, direct sourcing and talent pools had become top total workforce management priorities for enterprises in all regions of the world. A majority of business executives had finally realized that in an age where talent is both a competitive advantage and difficult to find and engage, additional outlets and channels that could deliver broad/unique skillsets and experience were needed. They saw real value in developing strategies to engage top candidates, particularly “known” talent, like past contractors and freelancers, who could be trusted and had previously succeeded in their non-permanent placements. Attracting this talent via branded career portals could revolutionize the way their businesses filled open positions (and projects) with high quality talent.

When the global pandemic hit last year, astute hiring managers and key stakeholders quickly realized that workforce scalability and flexibility would be needed to ensure business continuity, build resiliency, and succeed in the midst of massive uncertainty. The immediate workforce challenges brought on by the pandemic reinforced the need for direct sourcing, making it an even more popular way for businesses to find and onboard new talent quickly and develop a robust community of talent by nurturing prospective

candidates. While the pandemic continues to impact markets and workplaces, unemployment rates are returning to pre-pandemic levels. Growth and investment are once again increasing, making now an ideal time for businesses to improve the talent acquisition approaches they use to cultivate talent... an ideal time for managed direct sourcing (“MDS”).

## Managed Direct Sourcing, Defined

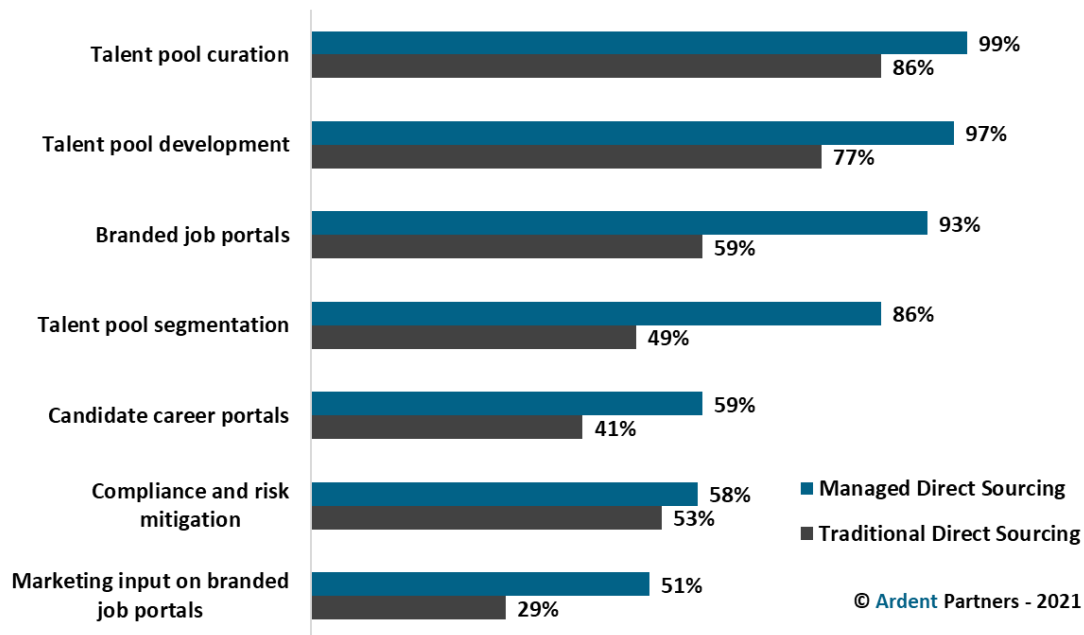
Direct sourcing is the process by which a business, in essence, serves as its own recruitment firm. By building “pools” of talent from curated sources and channels (i.e., referral programs, organizational alumni, silver medalists, job board postings, etc.), businesses can bypass traditional talent acquisition options, including staffing suppliers and other third-party sources, when seeking talent for a particular job, role, or project.

“Managed direct sourcing” or “MDS” is a multi-phased series of strategies, blended with key technological elements, that drive a continuous flow of job candidates, who can be engaged and hired on-demand. MDS differs from standard direct sourcing in the sense that it is more controllable and repeatable; most critically, it is highly-scalable.

MDS is typically offered as a services-based solution through a Managed Service Provider (“MSP”) and augmented with direct sourcing technology offered by an ecosystem of platform partners. An MDS offering will typically drive talent curation and other key program elements, while the direct sourcing platform partner will enable a series of repeatable processes including referral campaigns, nurture strategies, messaging and collaboration, and diversity engagement. What sets MDS apart from traditional direct sourcing is its relationship between full-lifecycle, human-led services and agile digitization, whereas traditional direct sourcing programs may only include more basic elements, such as baseline talent pools.

Ardent Partners research has found that managed direct sourcing can provide several key advantages over traditional direct sourcing programs due to its combination of MSP-led services (including curation and talent pool development) and technology “orchestration.” The percentage of programs that deliver key benefits are outlined in Figure 1.

**Figure 1: Program Benefits - Managed Direct Sourcing vs. Traditional Direct Sourcing**



Although many of the businesses currently employing traditional direct sourcing enjoy the core benefits of these programs (particularly lower time-to-fill rates, recruitment costs, etc.), there is an additional “edge” gained when programs introduce managed direct sourcing. The major takeaway from MDS’ influence is that these programs can push more comprehensive adoption of all phases of direct sourcing and ensure that businesses are able to develop and build talent pools effectively while also driving greater value to the overall program by utilizing talent pool segmentation, career portals, and access to an ecosystem of direct sourcing and digital staffing technology. A proper MDS program can also strengthen the integration between talent channels and direct sourcing systems, improve the alignment between hiring strategies for both contingent and FTE, and leverage the usage of a company’s brand for talent attraction.





## Curation and Segmentation: The Critical Layers of MDS

Many HR, talent acquisition, and contingent workforce program leaders overlook particular phases of direct sourcing, especially talent curation and segmentation, since they have been conditioned to manage their processes within the confines of a traditional CWM initiative that follows more procurement-oriented procedures (i.e., supply management, heavy cost focus, etc.). Even under a centralized CWM program, the most critical direct sourcing strategies and capabilities require more time, focus, and resources than what is typically available with non-employee workforce management.

For example, talent curation is a critical piece to the direct sourcing puzzle and MDS promotes this phase as crucial to the entire hierarchy of the process. In a managed direct sourcing program, the MSP is retained to leverage its recruiting expertise to curate talent for the business, ultimately helping its client build a deep talent cloud or community using a series of augmented approaches, including branded job portals, targeted ads and recruitment marketing campaigns, and artificial intelligence-led candidate matching. The MSP that is leading the MDS program can also leverage the organization's

brand power to attract potential candidates.

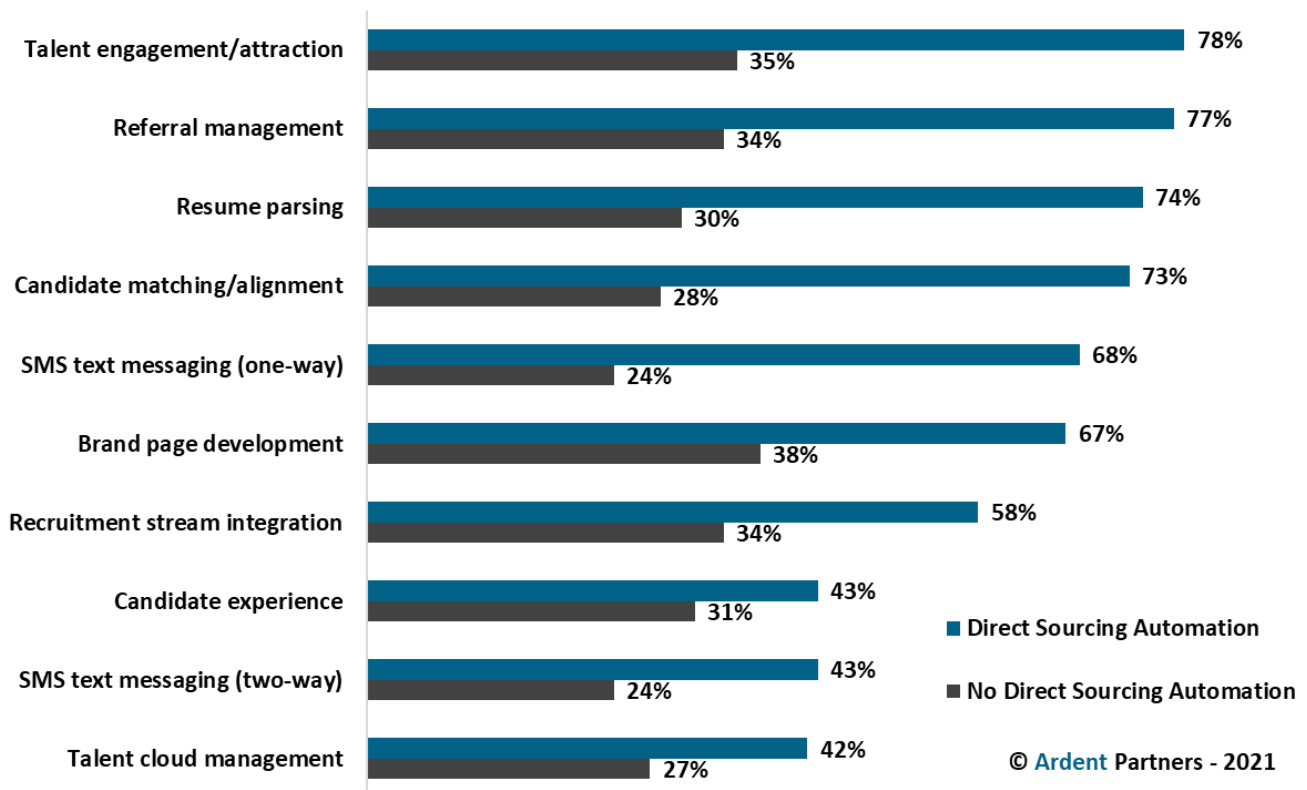
While some enterprises maintain deep pools of talent that are more "general" in scope, the pools may not be effective from an agile workforce perspective. Organizations typically overlook talent pool segmentation and maintain a single repository of talent pool candidates; this failure to segment is a missed opportunity to build a nimbler approach to finding candidates based on geography, skillset, role, etc. Talent pool segmentation enables enterprises to better "organize" their candidates for easier, faster, and better alignment with future requirements, as well.

A typical first step in talent community segmentation is to conduct due diligence around candidate skillsets, past work history, compensation, proficiency, and overall enterprise hiring alignment. Segmentation is what allows a business to be more dynamic in how it addresses its talent needs. It also answers many current sourcing challenges while fostering relationships with candidates with emerging and new skillsets or expertise.

## Direct Sourcing Automation and Innovation: The Heart of MDS

What enables MDS to stand out from traditional direct sourcing programs is its “beating heart,” comprised of a technology stack that can build on the human-led strategy and transform hiring processes to be repeatable and scalable, while establishing new prospect channels for hiring managers. As described earlier in this report, the major differences between MDS and traditional direct sourcing are the factors that frequently impact how the whole of the business finds, engages, and sources its top-tier talent. As shown in Figure 2, businesses with direct sourcing automation are able to execute on “deeper” elements of this talent-led program. With less dependence on traditional, resource-heavy sourcing and recruiting approaches, a “digital-led” direct sourcing program that relies on deep CWM expertise can drive superior talent outcomes.

**Figure 2: Key Capabilities, Direct Sourcing Automation vs. No Direct Sourcing Automation**





Businesses that have tapped into direct sourcing automation are able to improve their programs with scalable processes that can drive superior talent engagement, help nurture top talent, and boost the overall candidate experience:

- **Direct sourcing automation is an ideal tool to improve candidate matching and talent engagement.** A technology-led model requires less dependency on internal staff, drives greater “talent funnel” generation, while also improving the identification of and engagement with high-value candidates. For example, human curation is an excellent strategy for businesses that requires a high-touch approach towards talent pooling. However, the impact of direct sourcing automation adds additional value by improving the overall targeting of candidates by enhancing the alignment of enterprise requirements and available skillsets, and, most importantly, by enabling direct sourcing processes and strategies to be streamlined and standardized across the enterprise. Best-in-Class direct sourcing solutions also offer
- robust candidate referral functionality that can drive additional talent engagement without the organization spending significantly more time and resources. These capabilities are generally available and optimized within a solution’s mobile application
- **Direct sourcing platforms enable repeatable, collaborative processes with key candidates.** The most overlooked aspects of direct sourcing are within its “secondary” phases, particularly talent nurture strategies and candidate communications. While MSP leaders in a managed direct sourcing program will guide businesses to craft/use the messaging they will need to engage candidates after they have been curated and locked into talent pools, the direct sourcing platform can transform these processes into repeatable campaigns that involve both email and SMS/text message communications, ensuring that all candidates feel valued and “in touch” with what is happening within the greater





organization. This is a key element in fostering an environment of connectivity, openness, and inclusivity. These attributes are becoming more critical for today's evolving workforce and they allow independent workers to better align their skillsets with specific projects and pick-and-choose how they want to work.

- **Direct sourcing solutions enable users to tap into the power of their brand and culture to attract the best candidates.** Compensation is not the only aspect that today's workers (either traditional or contract) value in a potential employer. Aspects such as culture, diversity and inclusion, and the overall corporate social responsibility of a businesses are crucial factors that can determine whether a candidate wants to be engaged with a potential project or employer. Direct sourcing solutions offer functionality that can help users build "job portals" that leverage the enterprise's brand, colors, and other unique, marketing-specific attributes.

Candidates that align with a company's brand are more likely to opt-in to receive news about job postings, new roles, upcoming projects, etc. This can be an incredibly powerful lever for managed direct sourcing because it taps into the power of an enterprise's culture to attract star workers and candidates. This can also foster greater loyalty between contingent workers and their employers, something that is often missed by legacy talent acquisition models.

- **Direct sourcing automation enables holistic reporting that can cascade into other talent acquisition strategies.** The intelligence gleaned from direct sourcing platforms and MSP-driven direct sourcing programs can be harnessed for greater workforce planning, particularly when forecasting future utilization of both contingent and full-time talent.



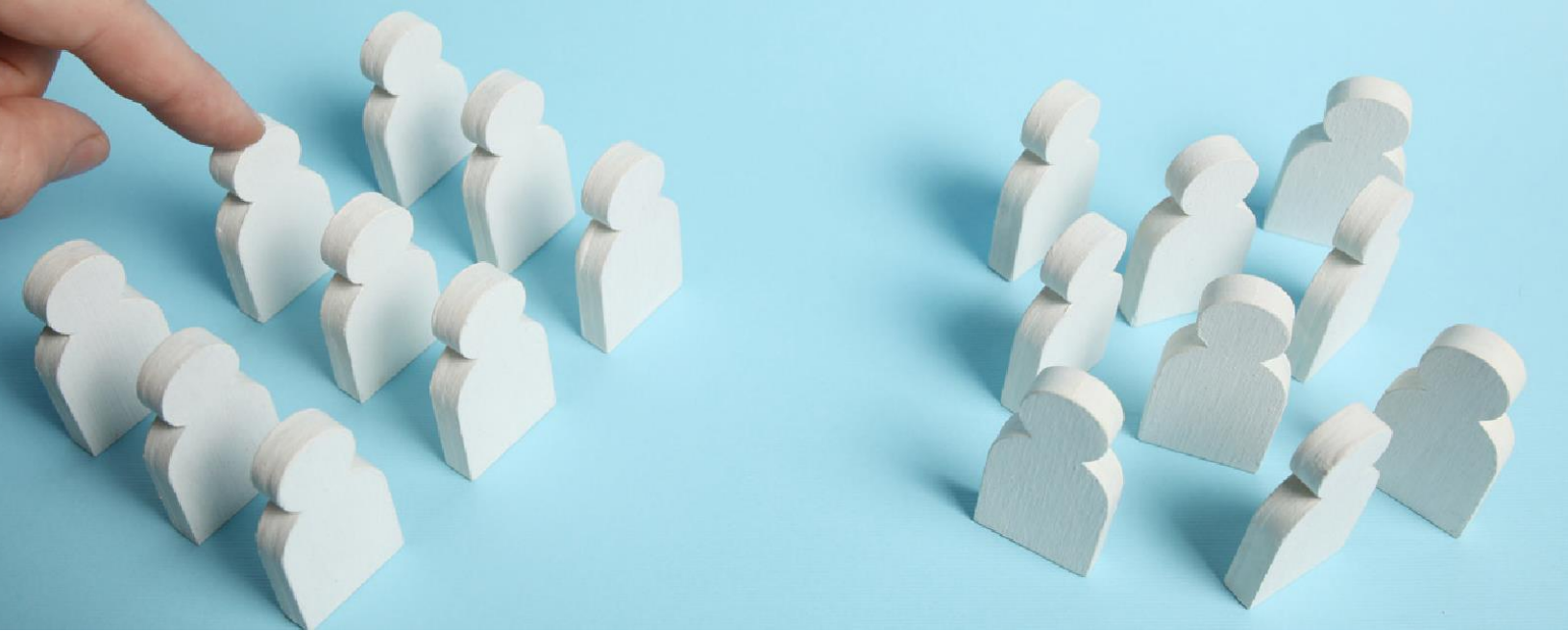
## The Future of Managed Direct Sourcing

While an economic recovery has been in view for many months, many business leaders believe that the overall labor market is back to pre-pandemic levels. Today, there is a powerful undercurrent happening in the business world that promises to permanently transform the way work is done: the growth, power, and impact of the extended workforce. Enterprises are on the cusp of a permanent change in how work gets done, accelerated by a pandemic that has pushed direct sourcing to the top of HR, talent acquisition, and procurement executives' priority list.

The sudden shift to remote and hybrid work models forced businesses to pivot their work optimization strategies while simultaneously managing ongoing operations amidst a wildly uncertain present (not to mention, the most severe public health crisis in a century). Two major workforce priorities came to light directly as a result of 2020's challenging times: the "reimagining" of workforce management (84%, according to Ardent Partners and *Future of Work Exchange* research) and the greater need for

contingent labor (82%). The era of social distancing, citywide curfews, and global lockdowns have had a profound effect on how businesses find, engage, and manage their workforces. In-person interviewing, scheduled recruiter meetings, collaboration between HR and hiring managers and other "taken-for-granted" procedures became nearly-impossible to perform due to new coronavirus restrictions. In direct response to the biggest public health crisis of the last century, business leaders developed new and innovative approaches to recruiting and hiring.

Too, the increase in utilization of non-employee labor (43.5% of the total workforce in early 2020 vs. 46.5% of total workforce today) is a leading indicator of where the world of work is heading, and, more importantly, why direct sourcing will become the dominant form of talent acquisition by the end of 2023. Considering that enterprises were required to rethink and "reboot" their workforce management processes. And, as the need for non-employee talent increases, managed direct sourcing makes ideal sense as the gateway to better staffing processes and superior talent.



## Conclusion

Managed direct sourcing represents the future of contingent workforce management. Business leaders understand that, in order to compete on a global scale (and in a world that is forever changed), they need to leave behind their archaic ways of finding and engaging talent and adopt new, innovative strategies and solutions that Best-in-Class organizations use to align available talent with the mission-critical projects and initiatives that drive the business and strengthen its position in the market.

As discussed above, MDS checks many of the important boxes for hiring the best talent in today's transformative world of work by:

- ✓ Allowing businesses to optimize their time and resources in talent acquisition while also bypassing more traditional measures.
- ✓ Blending both the “human touch” that businesses still require with a digital framework that can enable efficient, repeatable hiring processes and place them at the center of a talent acquisition initiative.
- ✓ Prioritizing the utilization of agile talent, helping to curate possible candidates into deep talent pools, and providing hiring managers with the direct, on-demand access to the best candidates.
- ✓ Managed direct sourcing is also an emerging solution for permanent placement and FTE hiring. MDS can potentially solve some of the key challenges in the Recruitment Process Outsourcing (RPO) approach by marrying Best-in-Class technology with a “human touch” to drive down acquisition costs and improving the overall quality of new hires.



## About the Author:

CHRISTOPHER J. DWYER, SVP OF RESEARCH, ARDENT PARTNERS

For the past 15 years, Christopher J. Dwyer has been the industry's preeminent contingent workforce management (CWM) analyst and an early Future of Work evangelist. His research focuses on the application of innovative workforce and technology strategies that help businesses around the world optimize how work is done. Dwyer is the author of hundreds of research studies and briefs related to CWM, talent acquisition, human resources, and supply management, and the underlying technologies that enterprises can utilize to improve how talent is engaged and managed. This research has enabled thousands of organizations make smarter technology investment decisions related to their talent and workforce needs.

As the Senior Vice President of Research at Ardent Partners, Dwyer oversees all research programs related to talent and workforce management. His research and consulting in the digital and on-demand staffing space have helped revolutionize how businesses source talent and labor. Dwyer is also the architect behind the new [Future of Work Exchange](#) site, which has quickly become a groundbreaking destination for HR, talent

acquisition, procurement, and other key business executives as they seek the best strategies, solutions, and innovative tools for managing the arena of work and talent.

Dwyer is the voice behind *Contingent Workforce Weekly*, the industry's first podcast dedicated to the contingent workforce industry. Now in its sixth season, the podcast is one of the top Future of Work-oriented shows across all major podcast platforms.

Dwyer has been quoted/featured in *USA Today*, *Staffing.com*, *The Christian Science Monitor*, *Forbes*, *CNBC*, *The Recruitment Innovation Exchange*, and other major business publications. He has been honored multiple times by *HRO Today* (2013, 2014, 2015, and 2016) as an "Analyst and Advisor Superstar" and was twice recognized as a "Pro to Know" by *Supply and Demand Chain Executive Magazine* (in 2014 and 2019). And, in 2018, he was named as a "Top 100 Future of Recruitment Influencer" by *Analytica*. He welcomes your comments at [cdwyer@ardentpartners.com](mailto:cdwyer@ardentpartners.com). Connect with Dwyer on [LinkedIn](#) and follow him on Twitter ([@CJD\\_Ardent](#))

### Industry Standard "Fine Print:"

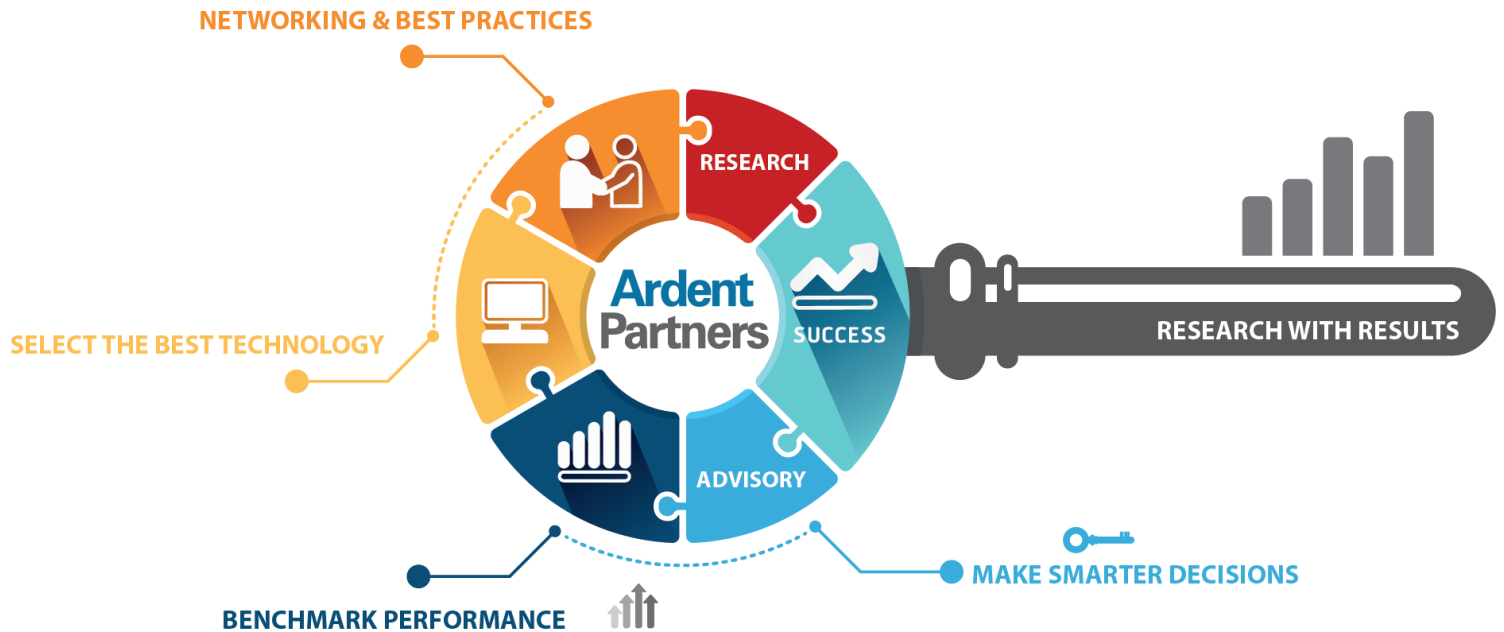
*The information contained herein has been obtained from sources believed to be reliable. Ardent Partners, Ltd. disclaims all warranties as to the accuracy, completeness, or adequacy of such information. Ardent Partners, Ltd. shall have no liability for errors, omissions, or inadequacies in the information contained herein or for interpretations thereof. The contents expressed herein represent Ardent Partners' best analysis at the time and are subject to change without notice.*

© 2021 Ardent Partners, Ltd. All rights reserved. Reproduction and distribution of this publication in any form without prior written permission is forbidden. Solution providers and consultancies should take special note that Ardent Partners reserves the right to seek legal remedies including injunctions, impoundment, destruction, damages, and fees for any copyright infringement (which includes but is not limited to usage of any Ardent Partners content in company collateral, presentations, and websites) in accordance with the laws of the Commonwealth of Massachusetts and the United States



# Partner with the Market Leader

As our name implies, Ardent Partners is passionate about our work. Our team is composed of senior executives with decades of experience managing successful projects. Our community is expansive, our influence is extensive, and our research is unrivaled. We deliver "Research with Results" - let us show you what we can do.



## Ardent Partners

Since 2010, Ardent Partners has delivered Research with Results™ to business executives working in procurement, finance, and HR on multiple platforms and in multiple formats. Ardent advises clients and publishes research that helps business decision-makers understand:

- Industry best practices and how to improve performance
- Technology landscapes and how to select the best-fit solution(s) based upon their specific budget and unique business requirements

Ardent publishes a network of high-traffic sites, manages a large, global community of business executives, and hosts a series of exclusive in-person conferences and online events. Ardent also works with solution providers to expand their reach, improve their products, and increase sales.

Visit [www.ardentpartners.com](http://www.ardentpartners.com) and contact us at [sales@ardentpartners.com](mailto:sales@ardentpartners.com) / 617.752.1728.