

Why Direct Sourcing Programs Fail



Contents

Forward	3
Introduction	4
Pillars of success	5
1. Executive sponsorship	6
2. Program office support	8
3. Talent curations services	9
4. Innovative technology	10
5. Operational excellence	11
Getting started	12
Lessons from QuantumWork Advisory	13
Design Thinking as a Weapon for Technology Strategy & User Adoption	15



Foreword

How we attract and manage the workforce today has changed profoundly and irreversibly. It's clear we are witnessing a power shift toward the worker, resulting in higher rates of remote and hybrid working, greater flexibility in working hours, and the rapid movement away from full-time employment toward non-traditional categories.

In the wake of Covid-19, we have also learned that agile organizations have thrived while others with rigid strategies and workforce models have become obsolete. Today, businesses need to adapt quickly to external forces, including new platform business models, rapid product life cycles, evolving customer interests, and changing worker preferences. One of the key levers to increase agility is, of course, to increase the use of contingent workers.

It therefore should be no surprise that the contingent workforce has now reached 47% of the total workforce. On the talent supply side, workers who only two years ago would apply for traditional FTE jobs are now open to more flexible contract, gig, and freelance roles. On the talent demand side, Human Resources (HR), Procurement, and C-suite leaders now realize the importance of embracing the non-traditional workforce as integral to their core strategy and organization.

As a result, leading organizations are broadening their workforce strategies to embrace this new reality. In addition, they are looking to provide the same quality experience in attracting and onboarding contract talent as with their permanent hiring.

Direct sourcing is one key strategy to improve user experiences, quality control, and diversity of the non-traditional workforce.

For those new to the concept, direct sourcing can be defined as a company leveraging its employer brand, technology, and processes, to attract and curate a private database of contractor candidates, organized into talent pools ready to be placed as contractors, quickly and efficiently.

To illustrate the rise of direct sourcing, 60% of respondents in an SIA report said they would explore direct sourcing by 2023.

While direct sourcing can seem like a panacea for increasing business agility and improving the quality and experiences, while potentially saving money, many companies underestimate the transformation required. But it doesn't have to be this way! By avoiding common pitfalls, an organization can achieve incredible results. This document is a valuable guide for any practitioner looking to explore, design, and implement a direct sourcing program.



About Mark Condon

Founder & Managing Partner



An Australian based in the US for the last six years and previously in Singapore for eight years, Mark is a pioneer in the talent and workforce sector, with over 20 years' global experience with both start-ups and multinationals.

Mark's specialties include advising clients on Talent Strategy, Workforce Service Design, Technology and Transformation. Mark's advisory projects bring a disciplined, data-driven approach interwoven with user-centric frameworks based on design thinking principles.

Dedicated to life-long learning, Mark has completed an MBA, degrees in Psychology and HR, and executive education with MIT, HBS, and IDEO.

Introduction

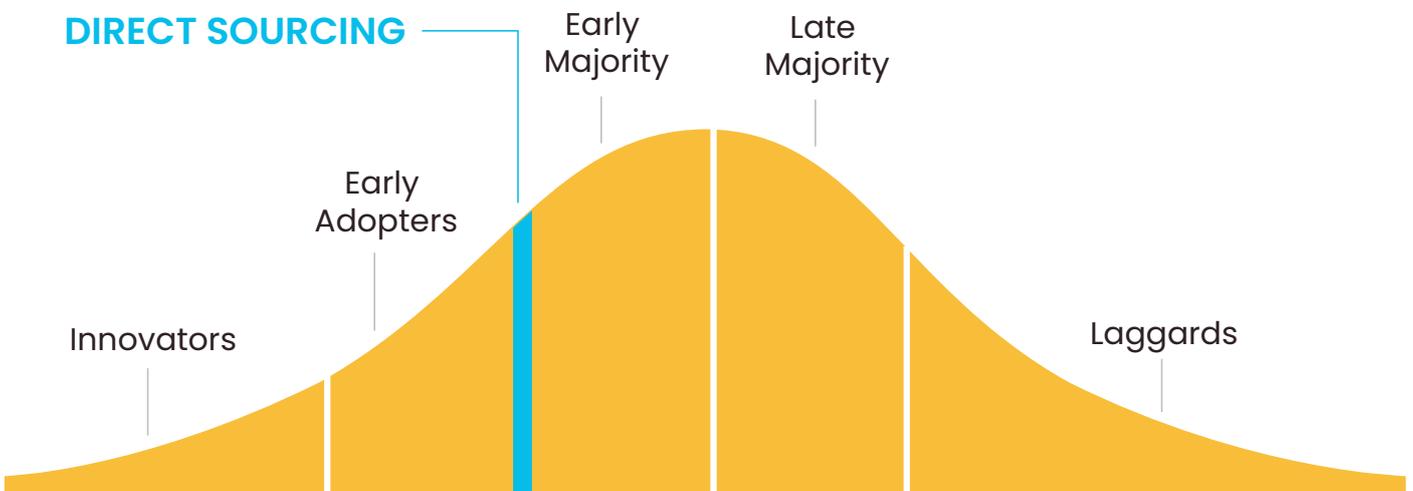
Direct sourcing is 2022's contingent workforce darling, and it seems as if we have finally moved beyond the early adoption phase and are headed towards mainstream acceptance after years of deliberation. This solution is highly lauded, but the reality is that many buyers who embark on their direct sourcing journey end up failing to reach their program's lofty aspirations. Even though we have only just passed the early adoption phase, there are already buyers changing out both technology and curation services without getting to the root cause of their failures. So, let's take the opportunity to call out the lessons learned.

Since direct sourcing is a relatively new solution, there are stumbling blocks to success that can derail best intentions. There are many reasons why these programs fail, and in this whitepaper, we will provide an overview of the critical components of a successful program, which we will call "pillars" and then discuss how each of these can become a failure point.

Managing change is always a challenging process and is especially perilous in a contingent workforce program that is wrought with operational complexities. On top of that, any new solution will inherently have its setbacks and that's why it is important for us to speak to the reasons why direct sourcing programs fail.

As in any venture, direct sourcing success requires a pragmatic plan, solid execution, iterating on lessons learned, and a commitment to long-term success in the face of setbacks. Without this level of resolve, it is very easy for things to quickly fall apart. Here we will introduce the key pillars to success when implementing and managing a program and how each one of these components can determine success or failure.

Innovation Adoption Lifecycle



Pillars of success

Let's start by defining what a 'pillar' is.

A pillar can be defined as: "a person or thing regarded as reliably providing essential support for something."

In the context of direct sourcing, we identify five pillars that will provide the proper structure for success. Like in buildings, when one pillar fails it can easily take down the whole structure; the same can be said about a direct sourcing program.

These five pillars are:

1. Executive sponsorship
2. Program management office (PMO) support
3. Talent curation services
4. Innovative technology
5. Operational excellence

When a direct sourcing program fails, its critical flaws can be traced back to a lack of commitment to one or more of these pillars. It can be daunting to consider that the absence of a single pillar can be enough to bring the house down.

 Executives may excitedly sign off on the creation of a direct sourcing program, only to disengage and disappear after go-live.

 The PMO may treat the direct sourcing program and curator like just another transactional supplier, leaving them to wither from lack of support.

 The contracted curator may not have the knowledge or resource commitment to get appropriate requisition coverage or candidate quality.

 There can be failure points in the technology solution, workflow, pricing, or talent engagement.

 The customer may not allow the program to use its employer brand to attract talent, or limit proper engagement with the business to set the program up for success.

So, it is critical that a program consciously monitors these pillars, especially in the early stages of launching the program. There will always be a need to iterate and make small changes to the original plan, as every contingent workforce program has its own unique qualities. Now that we've explained what a pillar is, let's dive more deeply into each one and discuss its importance and the reasons why it can cause a program to fail.

1. Executive Sponsorship

Executive sponsorship, which can be defined as the buyer persona’s engagement and commitment, is the most critical element in the success of a direct sourcing program.

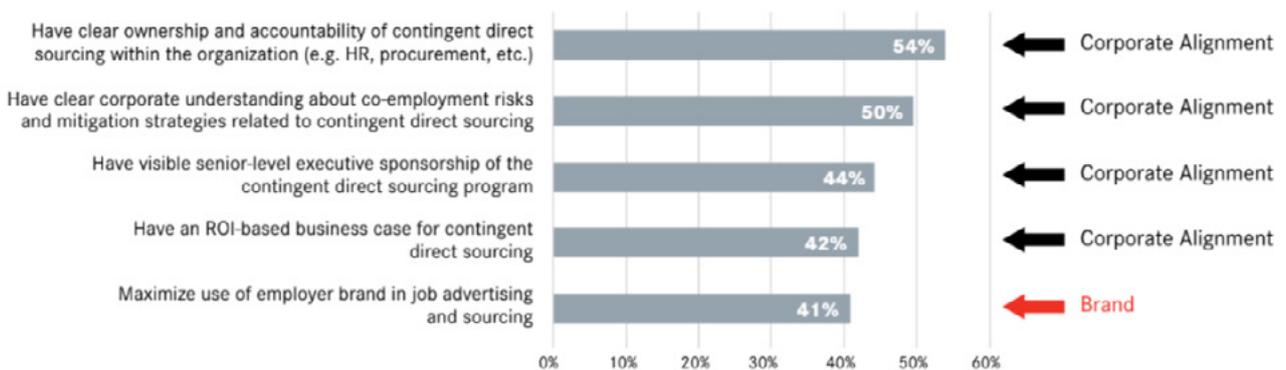
Why is that? Because the buyer has the influence to control all of the other pillars and all aspects of their contingent workforce program. The buyer has the control to change whatever elements they want, so they are an important driver of success. Ensuring this persona is present, educated, and engaged is critical to the success of the program.

A great direct sourcing program buyer must have a vision and drive for success. The sponsor plays a critical role in selecting the technology, hiring the program team, selecting the curator, choosing the vendor management system (VMS), and typically influences whether the company’s brand can be used to attract talent, so naturally, they have the greatest influence.

Successful direct sourcing programs all have one thing in common - a committed buyer with a vision. If the buyer is not knowledgeable or defers management and oversight to another person involved in the program, there is a great chance that there will be a loss of focus, as these other personas have other responsibilities to fulfill. When we revisit the great successes of direct sourcing journeys, as in the Thomson Reuters use case which has been spoken of so frequently, the buyer was absolutely in control and driving the process.

The most important practices for direct sourcing success focus on corporate alignment

% of respondents indicating practice as "very important"



Question: The following is a list of actions that may be taken to enhance an organization’s direct sourcing capabilities and performance. Which best describes your organization with regard to each practice? N=114.

Source: SIA Report: Achieving Excellence in Direct Sourcing

1. Executive Sponsorship (continued)

Diametrically, when you see programs that fail, the buyer was not present or was not involved enough to really support these other elements that make direct sourcing work. They gave it to the program management office to drive; they didn't give the curator a priority window; they didn't allow the use of the brand; they negotiated too low of a rate for the curator to be able to invest properly, and so on. So rule #1 in direct sourcing is to ensure you have the right buyer who has the vision and commitment for success, or you might be wasting your time and effort.

“Buyer engagement is key to direct-sourcing success as you’ll need to dedicate time and energy to educate your program partners on your company’s brand, communication style, and values.”

– Wen Stenger, CEO Omni Inclusive

How can we mitigate this risk? We make sure we have the right buyer in the sales process and qualify that they are ready for this type of solution. We ensure that the executive sponsor stays engaged with mandatory status meetings with all the personas in the direct sourcing ecosystem (Executive Sponsor, Program Office, Curator, Technology). We set KPI's and SLA's that track towards that goal. In the end, the buyer has to have the vision, commitment, and engagement to ensure all the components are working smoothly together.



2. Program Management Office (PMO) Support

The program management office is the vehicle enabling a direct sourcing program. We define “program management office” as the persona and team that administers the contingent workforce program.

This team is responsible for hiring manager engagement, requisition fulfillment, measuring program metrics, managing the VMS, suppliers, and basically ensuring all aspects of the contingent workforce are running smoothly. The PMO is where jobs and talent intersect, and it leverages the vendor management system to control and optimize the flow of both jobs and talent.

No hiring happens without the support of the program. In many cases, program management offices only manage one channel of supply - traditional staffing agencies.

That’s why the most widespread technology to manage this process is called a vendor management system; it’s designed to manage that singular channel. In that model, the PMO tries to create a level playing field to ensure all staffing agencies are engaged and feel empowered. One of the innate duties of a PMO has been to ensure that it is fair, and that no particular agency receives favoritism.

By establishing a talent community for your contingent workforce, you are adding an alternate channel that must be managed in a different way to be successful. As a direct sourcing program launches, it is critical that the PMO pays special attention by giving the direct sourcing program and the curation service provider everything they need.

This means giving them insight into historical and future job demand (via VMS data analysis), making them aware of the repeatable skill types to talent pool, giving the curator priority in requisition release, and finding opportunities where the direct sourcing program can hire with ease and in volume. Standard practice is checking your talent community first to see if there is talent to fill a need. This paradigm shift reduces time-to-hire, increases savings and ensures community engagement, which fulfills the primary goals of the program and propagates future success. The talent community should be seen as the core of the contingent workforce program where all resourcing is initiated.

Unfortunately it’s common for PMOs to manage direct sourcing the same way they manage traditional agencies: making them compete evenly without helping them succeed. Since program teams are often trained to treat each source equally, giving preference to the direct sourcing channel may not seem natural, yet it is vital.

So the program team has to be very conscious about nurturing and growing the direct sourcing program (we call that phase of the program “hypercare” for a reason) versus trying to keep things equal with the existing supply base. Generally, a newly set up curation program is not well-suited to compete with 20 or more suppliers when they first start out, so they need nurturing while that talent pool grows and they learn the customer’s talent preferences. Given these circumstances, it’s obvious that a direct sourcing program will not succeed without the care and attention of the PMO from the start. The executive sponsor has to be very conscious of this fact and manage expectations with that team accordingly.

3. Talent Curation Services

Of course, we would not have much of a talent community without a committed, invested curation team servicing the customer's needs and providing candidates with great experiences.

We define a curation service as talent attraction and talent engagement. To the layman not from the contingent world, curation is a client-specific recruitment function.

This is much like an RPO channel, but for contract work in a competitive landscape. That means this team is responsible for attracting talent into the community through internal and external sources, matching that talent to jobs, and advising the talent through the recruitment life cycle. Curators are really the face of the direct sourcing program and the client's contract brand, to both the client and the talent, so it is a vital function.

First, they must have enough investment to adequately build the pool and cover requirements as they are released.

It's a critical function, as curation is the engine that makes the direct sourcing program run. This team must be adequately staffed with highly skilled recruiters and sourcing professionals. If a curator only has two recruiters managing the talent community and they get 50 requirements a day, then they won't get the necessary coverage. What is adequate coverage? Well, that is relative, but in general submitting two candidates per requirement within three days of requisition release. If the team isn't staffed properly, it won't have the quantity of success that will give the customer a return on their investment. Candidates will also have less opportunity and a less engaging experience, so things can fail quickly if the curation team isn't able to keep up. Without a strong curation effort, you can't build the community and create the momentum that will make direct sourcing the prevalent channel in the program, and therefore won't achieve the buyer's goals.

Market Factors that Will Transform the Way Work is Done



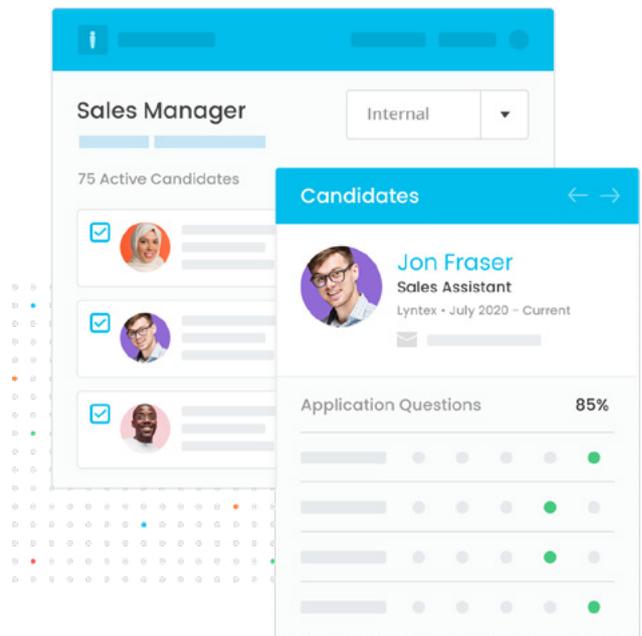
Source: LiveHire eBook The Direct Sourcing Toolkit

4. Innovative Technology

There are buyers in the market that are “direct sourcing” without any direct sourcing technology. This seems hard to imagine and even harder to execute at scale. There is the possibility of creating a small program that leverages known talent or pre-identified hires, but the reality is, without talent community software it is extremely difficult to share opportunities and engage talent in a meaningful, scalable way. You may also need an integrated VMS as well, as it is hard to manage your contractors, spend, compliance, or invoicing after you hire this talent.

Direct sourcing technology solutions have two main feature sets - one is applicant tracking system (ATS) functionality for the curation team to manage requisitions and process candidates. The second feature set supports talent attraction and engagement, including features such as a talent community, talent pools and rapid text messaging. You need a talent community, since VMS's typically don't have direct candidate engagement functionality. It is very difficult to direct source at scale without this specific technology.

Each direct sourcing technology has its strengths and weaknesses, so it is important for buyers to evaluate each platform and see if it solves for its needs. Some platforms can manage high volume hiring better than others. Some platforms focus on specific industries, skills, or candidate experiences. So buyers need to do their homework and really understand the products in the market and which one will help them achieve the goals they are setting.



A LiveHire review from G2

★★★★★ Mar 08, 2022

"Brilliant ATS system and Talent Community asset."

What do you like best?

It's an easy-to-use system for our recruiting managers and provides analytical insights we have not previously had access to. We also love the fact that it integrates with ease into our HR platform making hiring someone quick and simple and done in seconds.

5. Operational Excellence

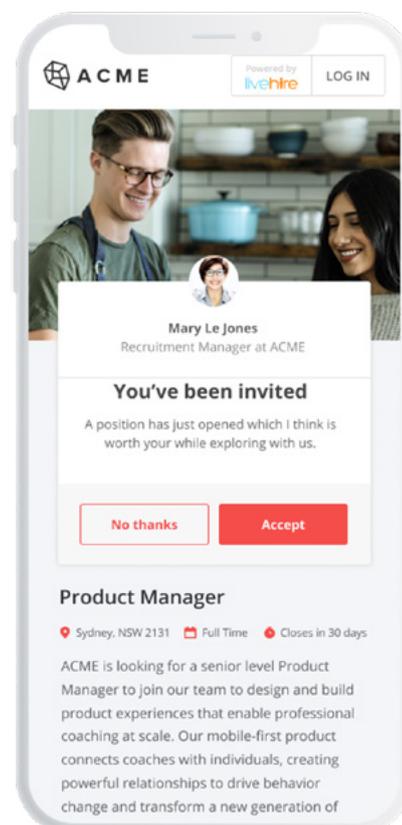
The final pillar is a grouping of operational best practices that will be highly beneficial to your curation team as they strive to engage talent and fill jobs quickly.

The first of these best practices is important enough that it could be a pillar all by itself; it is critical to use the client's brand to attract and engage talent. Direct sourcing is synonymous with brand sourcing, which means we are engaging with talent directly using the client's brand. This is a critical component because a growing portion of the workforce cares about the brand they work for, not just the position they are filling. Without leveraging the brand, we are behaving more like an agency solution than a direct sourcing solution. So that's best practice number one.

The second best practice is to check your talent pool for available candidates before releasing a job to your traditional suppliers. The simplest way to implement this best practice is to give the talent community and curation team a lead time on new positions. You can do this while the requisition is pending approval in the VMS so as to not slow the supply chain down, or if you have confidence in your program, you can give them several hours or days to fill the job before releasing that position to your preferred suppliers.

Typically, that priority window is 2-3 days, and can be longer if you release it to your talent pool while the requisition is in draft status or pending approval. The key here is to go first to your talent pool, which creates better opportunities and engagement for the talent who have come to you directly.

There are many other tactical practices to create success within your direct sourcing program and many are listed here. From sharing the appropriate known talent or VMS data, to meeting at the right intervals as a team, to engaging the talent in your community in a meaningful and fulfilling way. The key is to listen to your direct sourcing partners and take their advice when setting up your program. If you don't follow best practices, it becomes that much harder to succeed. If success is your goal, you should commit to every opportunity that helps you reach that goal.



Getting Started

As we have detailed here, you can see how and why direct sourcing programs can easily fail. This solution requires strong collaboration across the contingent workforce management spectrum as each stakeholder group plays a critical role in the program's success. For that reason, all parties need to work together not only in the sales and implementation process, but iteratively after go-live, hypercare, and steady state.

With any new solution, there is a need to constantly measure what is happening in the program. Luckily, there are very mature metrics from traditional supply sources to diagnose potential problems, but the first component is positive intent by all parties and the spirit of partnership. Without that foundational element many of these pillars can crumble quickly.

Understanding these strategic components and supporting them with tactical practices ensures that the program's health and positive evolution are guaranteed. The 'set it and forget it' mentality will inevitably lead to failure. There is no doubt that direct sourcing will be a widespread practice in the coming years. The best way to make your program successful is to start with a great plan based on these pillars and a clear understanding of what is required to drive change and adoption.



Lessons from QuantumWork Advisory: Driving Stakeholder Alignment and Adoption

This whitepaper guides you on why direct sourcing programs fail and how you need a pragmatic, structured plan to succeed. We have included vital lessons from Mark Condon, Founder and Managing Partner, QuantumWork Advisory.

As we now know, implementing a successful direct sourcing program has significant benefits, including increasing organizational agility, improved user experiences, enhanced brand and reputation, and visibility and control over the entire workforce. A review of research and lessons through our experience highlights that organizations make common mistakes in transformation projects.

A 2022 research study by Unleashed of 700 HR leaders identified the most common issues for HR technology projects:

-  Poor change management
-  Too focused on technology over desired outcomes
-  Didn't implement a system to take full advantage of the capability
-  Workflows didn't match the business
-  The system didn't integrate with others
-  The project was not resourced with enough staff
-  System too hard to use

Fortunately, the issues leading to suboptimal technology implementation can easily be overcome. We have outlined below the top strategies to avoid many of the pitfalls experienced by organizations undertaking a technology transformation.

-  Understand the problem to be solved and keep it in view
-  Commit and invest in intelligent integrations or jeopardize UX and performance
-  Allocate the right level of resources and include them in the planning phase
-  User experience matters – not “a nice to have” - technology should be enjoyable
-  Involve the right people and build strong partnerships with key users of direct sourcing, including the CHRO and CIO and their teams

The key success factors for any successful transformation, such as direct sourcing, is having a strong user-centric focus. Enter the world of Design Thinking.

Design Thinking as a Weapon for Technology Strategy & User Adoption.

Tim Brown, the Executive Chair of IDEO, defines design thinking as:

“a human-centered approach to innovation that draws from the designer’s toolkit to integrate the needs of people, the possibilities of technology, and the requirements for business success.”

The Interaction Design Foundation defines design thinking as “an iterative process in which you seek to understand your users, challenge assumptions, redefine problems and create innovative solutions which you can prototype and test.”

At QuantumWork Advisory, design thinking is integral to our advisory and services projects. We love design thinking because it is a disciplined scientific inquiry focused on understanding the people for whom we design experiences.

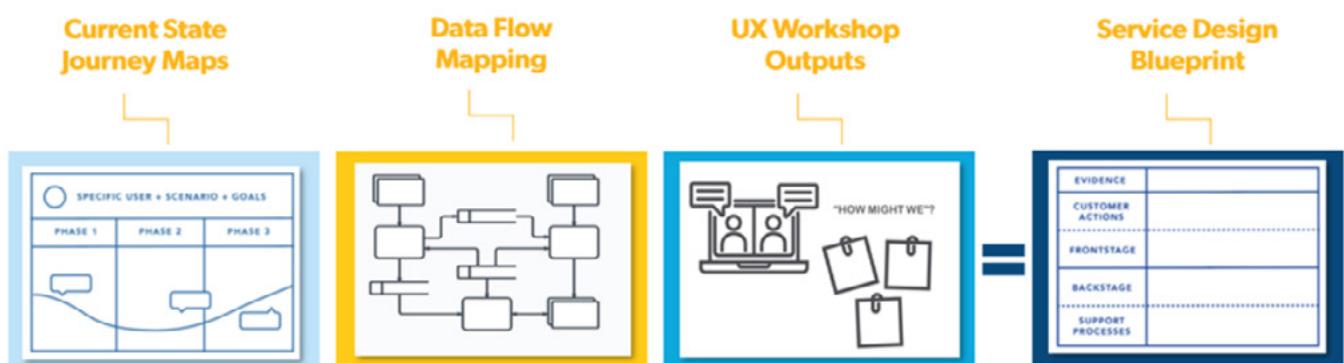
Each solution needs to address desirability, feasibility, and viability, an idea that originated from IDEO in the early '00s. A desirable solution is something that the organization needs.

For a direct sourcing model, this may include increasing business and workforce agility, increasing the quality and visibility of the indirect workforce, improving user experiences, and reducing costs. The weighting of these factors will vary in importance for each stakeholder. A feasible solution can be successfully implemented and adopted by users. The business can sustain a viable solution through governance and leadership to achieve the promised benefits over time.

The design thinking tools of journey mapping and service delivery design are the two most potent analysis and design weapons, especially when used in conjunction with traditional research and process and data mapping, and technology architectural design.

Journey maps are a visualization of current friction points between people, processes, and technology. Journey maps are a crucial foundation to design the future state strategy.

Once the friction points are known, the key to success of the whole project is the creation of detailed service design blueprints. These blueprints visualize the optimal future state design of interaction between people, process, and technology through the complete value stream.



Design Thinking as a Weapon for Technology Strategy & User Adoption.

Design thinking has five key phases: Empathize, Define, Ideate, Prototype, and Test and Verify, outlined below:

Empathy

This phase focuses on research to understand friction points across people, processes, and technology. The goal is to build a complete picture of the entire user experience, operations, organizational delivery design, tech stack architecture, and data flows. Research techniques include reviewing current data and processes, interviews, surveys, and workshops.

Define

The define phase is primarily aimed at understanding and clearly documenting the business issues, processes, and experiences that need to be solved. Creating and refining an accurate and clear problem statement is essential. Other key tools include creating detailed journey maps, current state data flows, and technology architecture diagrams.

Ideate

The ideate phase is a creative process with UX designers generating ideas, often in sessions with users. "How might we?" questioning enables participants to produce strategic options to address the problem statement and friction points in a facilitated, judgment-free environment.

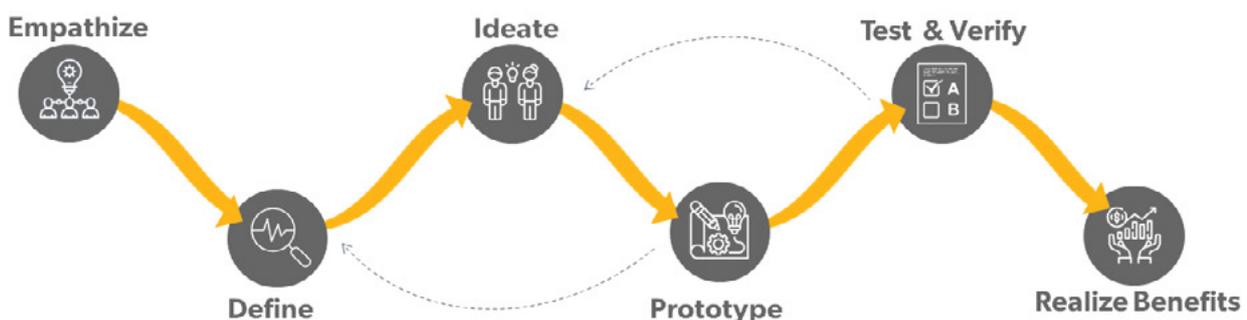
Prototype

This phase focuses on building models to test and verify the feasibility and viability of each strategic option. This is an experimental phase, aimed at identifying the best possible solution. Next, the strategic options defined in this stage are investigated and then accepted, improved, or rejected. In the context of direct sourcing, this may include developing models for ROI, organizational delivery, technology architecture, data insights, and integrations.

Test and Verify

Possibly the most important phase, the test phase is focused on proving the strategic choices outlined in the ideate and prototype phases. Testing may include vendor demos, ROI modeling, security, and data privacy reviews, use cases and reference checking analysis, detailed scoring of functionality, and UX analysis.

In summary, the process of design thinking creates a structured and seamless flow from research to adoption. Immersion in the user experience produces data, which is transformed into visualization and insights. Design criteria is used to brainstorm strategic options and assumptions fundamental to the success of these solutions, which are examined, tested, and verified. As a result, your technology strategy and transformation will be ready for real-world users and deliver on the promises made.



About the authors



Mark Condon
Founder & Managing Partner



An Australian based in the US for the last six years and previously in Singapore for eight years, Mark is a pioneer in the talent and workforce sector, with over 20 years' global experience with both start-ups and multinationals.

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Dedicated to life-long learning, Mark has completed an MBA, degrees in Psychology and HR, and executive education with MIT, HBS, and IDEO.



Chuck Young
VP – Solutions Architect



Chuck Young, a recognized and respected leader in the recruitment industry with 22 years of operational, technical, and advisory leadership.

He is currently serving as Vice President, Solution Architect at LiveHire, a market leading Direct Sourcing Platform. He is one of the four founders of Interactive Resources, a national IT recruitment firm based out of Jacksonville, Florida, a leader in multiple markets across the US. Most recently, Chuck has specialized in Talent Platform Product Strategy for companies in the contingent workforce space.

Chuck has built private and public talent pool products, curation services, and partner ecosystems to help further the adoption of the future of work in the enterprise. Chuck's reputation is as a connector and business accelerator, with deep experience in and contribution to the Direct Sourcing space.



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