Top Sales Management Secrets of HubSpot's Mark Roberge

Part 3: On Sales Management, Coaching and Training

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Meet the Authors

Mark Roberge

Mark is Chief Revenue Officer for Signals, HubSpot's fremium sales tool. Under Mark's leadership as SVP of Sales & Services prior to running Signals, HubSpot increased revenue over 6,000% and expanded the team from 1 to 200 employees in five years. These results placed HubSpot #33 on the 2011 INC 500 Fastest Growing Companies list. Mark was also awarded the 2010 Salesperson of the Year at the MIT Sales Conference. Prior to HubSpot, Mark founded and/or held executive positions at start-ups in the social media and mobile sector. Mark started his career as a Technology Consultant with Accenture.

"Reps can only really work on one skill at a time, so it is essential that when you coach them that you correctly identify the right skill, find its root and pick the right plan for improving it."

Meet the Authors

Zorian Rotenberg

Zorian is a VP of Sales and Marketing at InsightSquared. He has been on management teams of several high-growth global software companies, ranging between $8 Million to $100 Million in sales, all growing over 100% annually. He was also the CEO of StarWind Software, a global software company with customers in over 50 countries. Zorian has been a speaker at a number of industry conferences and online events including the American Association of Inside Sales Professionals (AA-ISP), Inside Sales Summit, Chief Sales Officer (CSO) Insights, Mass Technology Leadership Council, The Conference Board, Heartland Technology Group, and B2BCamp among others. He has written for and contributed to The WSJ Accelerators Blog, Top Sales World, Salesforce.com blog, Revenue Marketing Podcast, DemandGen Marketing Report, OpenView Labs blog, and iMedia among others. Zorian has a degree in Finance and with minors in Applied Mathematics and in Computer Science from Lehigh University and earned his MBA from Harvard Business School.

Mike Baker

Mike is a content writer and journalist who enjoys diving into complex issues and exploring the world of data-driven business intelligence. Before coming to InsightSquared, Mike earned an English degree from Oberlin College and wrote for several newspapers, websites and marketing firms around the country.

Introduction

Coaching is what elevates a good sales team to a great one. But coaching is hard. What can you do to avoid overwhelming your reps? What are the most important skills to work on? How do you correctly diagnose a rep's main shortcoming? In this installment of our 6-part series, Mark shares his best practices for effective, metrics-backed sales coaching, training and managing, including:

- The importance of focusing on coaching one skill at a time
- A system for accurately evaluating reps
- Tips for incentivizing your reps to improve

Q: How important is coaching to a sales team's success?

A: Sales management is all about coaching.

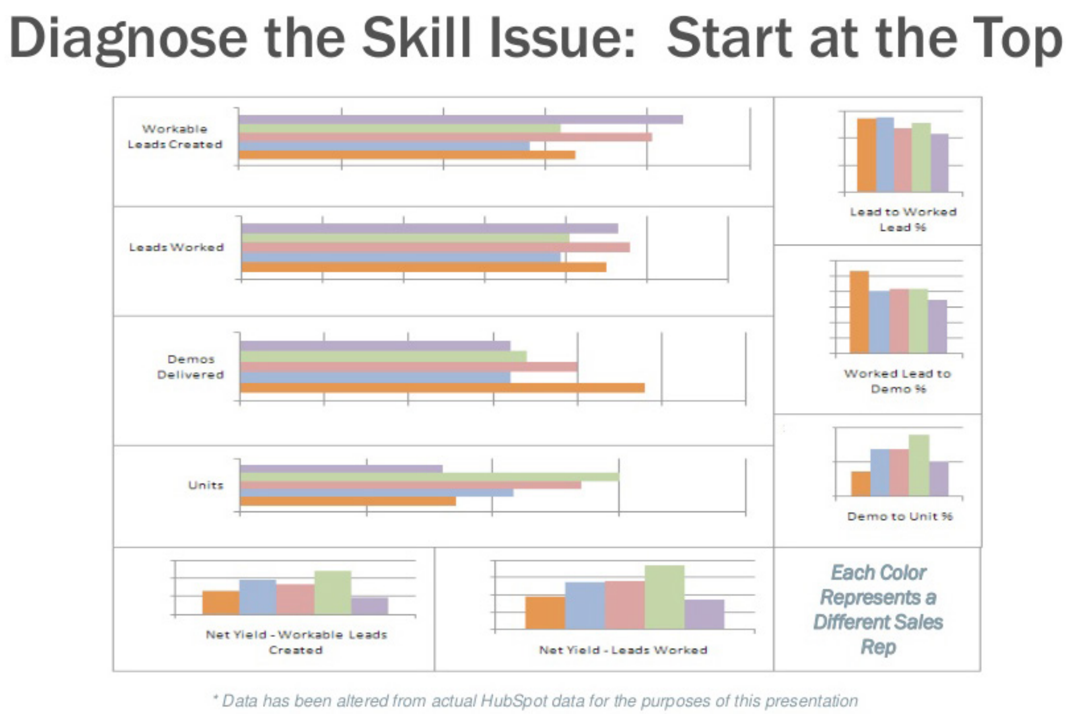
I wanted to be a professor because I love to teach people and watch them develop, and this carries over into the way I approach sales management. I have an expectation that everyone on my team will improve each month, and this requires managers to make time for coaching. **I expect my managers to maximize the time they coach** – this is the most important part of their job, in my mind.

But making time for coaching isn't enough – you must also coach the right way, which to me means being specific and not trying to do too much at once. In other words, **focus on only one skill set at a time** and don't overwhelm your reps. Focus on this one skill until it improves – you can't set a specific time for this improvement, it has to happen organically. A sales manager must allow people to grow up slowly and at a realistic pace.

But how do you know which skill to zero in on? To do this, we use **metrics-driven sales coaching** so that we can accurately diagnose sales reps' weak points and provide coaching grounded in real metrics.

Q: How do you diagnose the right skill to work on?

A: Well, you need to lean really heavily on the data. Each rep will have a different set of strengths and weaknesses, so it's important to start at the top and use data to precisely identify where each one needs coaching.



Source: HubSpot Presentation

So, for example, if you look the data and notice that one of your reps isn't working enough leads [like the salesperson represented by the blue bar in the second section of the figure above] you need to dig in and identify the root causes for this shortcoming. Is he **over-investing** in unqualified opportunities? Does he have time management issues? Does he have a **fear** of making calls? Does he have a **lack of personal goals** or not enough motivation? This will determine how you co-create a coaching plan to address that shortcoming.

Q: What do you mean by a "lack of personal goals"?

A: A lack of personal goals is a potential diagnosis when you see a problem with activites. I think it's really important to connect daily activities for reps with their personal goals because **when you associate your personal goals with your daily activities, you're more motivated**.

One example I give is the diamond ring. Say a rep wants to buy an engagement ring for his girlfriend. As a manager, you can use this information to help motivate that rep to improve his activities. It can be hard for reps to get the motivation to keep their activities up, but if you find a way to tie it to their desire to buy an engagement ring, it's easier to keep that drive high. **When you relate the sometimes mundane activity of sales with that high-level personal goal, it's way more psychologically powerful.**

So that's why I say that focusing on personal goals can be a way to help reps improve their activities, if that's the one skill you want to focus on. But activity is just one potential skill that needs to be addressed, and they each have their own specific correction course.

Q: What are some other skills you look to improve?

A: There are a lot. One could be **demos delivered**. If a rep is coming up short in delivering demos (and not just in pure activities), you should dig in and find out why. Is the rep **not prospecting deeply** enough? Is she failing to make a **personal connection** with her leads? Is she **unable to build trust** on a connect?

Another one could be **meetings scheduled**. So what's the cause of that? Is the rep failing to develop a **sense of urgency** with his leads? Is he **getting beyond the surface pain**? Getting beyond the surface pain is tricky. At HubSpot, we tell our reps to get beyond the surface pain with the three levels of "Why":

1. **Identifying a specific pain** that is quantified and implicated
2. **Understanding a prospect's goals**. What happens if they don't hit their goals?
3. **Learning why timing is important.** What happens to the prospect if they delay purchase?

The larger point, though, is that you need to **diagnose** the problem they're having, **drill down** until you've found its root cause and then **coach the rep on the one skill** that will help resolve that problem.

Q: Why is it so important to focus on one skill at a time?

A: The biggest mistake new sales managers make is trying to work on too much at once. Almost every new manager makes this mistake. No rep is a rock star on day one, even if they have the potential to be, so a lot of managers see so many ways they can improve their reps that they end up just throwing too much at them, which ultimately overwhelms them.

This is natural, you see a lot of ways to improve a rep and you instinctively want to help them. But you've got to fight this temptation. So the first step to really effective coaching is to take the first hour's worth of feedback and pare it down. **What's the one skill they can improve that will make the biggest difference right now?**

Q: What do you do once you've identified the one skill?

A: After you've identified the one skill you need to work on and used metrics to create a customized plan to address it, you need to **get buy-in from the rep**. Reps respond much better if their managers come in and co-create a plan with them instead of just coming to the meeting and saying "OK, I've looked at the numbers and this is what you're going to work on this month."

Instead, it's more effective to have a conversation like this: "I've done some research about your performance and I have a few theories on where you can improve, but I want to talk to you about it."

And there's two reasons I do this. First, like I said, I get the buy-in, which helps the rep become more invested in the improvement process. And second, sometimes I actually am **swayed by their own interpretation**. I mean, I can go through and identify the skill I think they need to work on, but sometimes I'll go through the whole presentation and they'll say, "Listen, I'm really struggling with my email prospecting." And they nailed it!

So at that point, it's much easier. I have buy-in from the rep and we've identified a problem and then we can co-create a plan for resolving it. "So you need help with your emails? Okay, I helped Tom with this a few months ago, so let's schedule 3 meetings this month and we'll work on a way to improve your connects." And then you should **actually schedule those 3 meetings right then and there.**

And this process is a really important part of the way I train all my reps. It's tailoring the training to them while still ensuring that they get the same training in general so that I can more accurately and consistently evaluate them.

Q: How do you train your reps in the same way?

A: Well, the first part is what I talked about earlier: Having all of my reps spend the first month on the job just experiencing our customers' pain. And then – in addition to using the same process to diagnose the one skill they need coaching on – I make sure my reps all have an individual path to success.

Most companies follow the same broken process in terms of training: They hire a rep, give her a sales manual or playbook, and have her shadow a more senior rep.

But this approach has some inherent flaws. Often, the new rep will simply be learning another sales rep's individual selling style instead of learning based on their own specific characteristics. Most salespeople do one thing very well but are mediocre at the rest, which means they naturally tend to center their teaching on the one skill they excel at–and this doesn't translate to a complete or successful learning experience.

Reps who succeed, succeed differently. One might be great at learning the product and persuading customers that way. Another might use his natural charm to win over customers. But the bottom line is that all reps are different, so your **coaching has to be tailored to the individual rep.**

So, at HubSpot – and this is a really important part of my sales philosophy – we help reps find their own path to success. A big part of this is providing all of our reps with a **consistent sales process** and the same sales playbook (with our target customer, competitors, product information, common objections, etc.).

After that, it's the sales manager's job to coach the reps and encourage them to consistently use their individual skill sets. And once they've been trained the same way, it's easier to create a sustainable process where you give them the same type of leads and expect the same results from them, which makes it easier for us to evaluate our reps.

Q: How do you evaluate a sales rep?

A: Essentially, we look at three criteria to judge the success of a rep:

- Average quota attainment %
- PPR – Productivity Per Rep (i.e. hitting their monthly revenue goal)
- LTV – Life Time Value of the customers they signed up

That last metric, LTV, is interesting because it highlights a unique (and dangerous) aspect of SaaS sales: **sales reps can close deals by selling to the wrong people, applying too much pressure or improperly setting expectations**. Doing these things may make them appear successful, but the consequence of these tactics is that those deals will usually churn fast. So an important metric for success is whether the customers that reps sign up have a long life time. Paying attention to LTV is also useful because it takes into consideration the size of the monthly payment, which can tell you a lot about how well a rep prioritizes larger deals and manages their overall funnel to maximize revenue.

Q: What are some of your favorite rep development tactics?

A: My top 5 favorite tactics for developing reps are:

- **"Black Hat/White Hat" film reviews** where you listen to a recorded call as a team and have one person give positive comments and another give negative feedback.
- **Role playing/modeling** with both reps and managers.
- **Call prep** and **post mortem** discussions to give call-specific feedback.
- **Pipeline reviews** with discussions about specific opportunities, which are a great way to challenge every opportunity in the pipeline and ask reps directly why they think a certain deal will close.
- **Daily activity reports** that show reps exactly where they stand in terms of the activities they performed during a day.

Q: What is your promotion philosophy?

A: **Promote from within**, even if it means making someone a manager who has never managed before. However, there's a theory that says you shouldn't promote your best reps because sometimes they're a little egotistical and they have no empathy. But on the flipside, you don't want to promote your worst reps.

It's a really tough dance. I look for **reps who are somewhere between very good and exceptional.** They should be pretty well-rounded, not exceptional at one skill and mediocre at the rest. Because **whatever weakness they have will be multiplied by 8** when they get an 8-person team.

So I always want that well-roundedness and someone who has those "soft" leadership skills: listening ability, empathy, building teamwork, managing conflict, coaching ability. Not everyone who's a great rep can be a good coach. Coaching is a skill in itself.

Q: What is your firing philosophy?

A: We try to keep the fuzziness out of it. Fuzziness leads to politics. For us, if you're below 80% of your average for the last 4 months, you go on a performance plan and you have 2 months to get yourself out. There can be extenuating circumstances, of course, but for the most part we try to stick to those rules.

With that said, we're all human – there are always some exceptions and extenuating circumstances like disability, medical, or a death in the family. So we can give people a chance to right the ship.

Q: Do you pay recurring commission?

A: No, we don't, and we've actually thought about that a lot. **We try to pay out as much up front as possible**. We used to pay purely based on acquisition: You sign up a customer, you get $500. That worked early on when we really primarily concerned with getting lots of customers. And we did. But then, two years later, we had a churn issue, so we changed our commission structure to emphasize low churn, which had an immediate effect. After that, though, we saw that salespeople were almost becoming too hesitant about bringing customers on, too focused on keeping churn low, so we tweaked our commission structure again recently, and now it's **aligned with how far in advance they pay for HubSpot**. So if a new customer pays a year in advance, the rep gets the entire commission up front. If they pay six months in advance, we pay the rep 75% upfront and the rest at the six-month anniversary. If they pay monthly, you get half of it now, a quarter in six months, and the last quarter in 12 months.

I've seen models – in insurance, for example – where they pay you just an annuity – whatever you bring in every month they just keep paying you a percentage. But this is dangerous because it can lead to a situation where long-tenured reps feel like they can take the whole month off and still bring in plenty of money from ongoing commissions. So they have no reason to go hunt for new deals. You need to come up with a commission structure that works for your specific company and industry.

Q: How should you think about On-Target Earnings (OTE)?

A: Again, it's very contextual, but it should really be based on **the top-down economics of your business** – what percent of revenue are you going to spend on Sales and Marketing as opposed to research and development and so on. And once you figure out what percentage of the budget your team is going to have – the top-down part of the equation – you can start thinking about how many reps you want to hire.

Now you've got some decisions to make. Are you going after experienced field reps who are going to sell face-to-face? Now you're talking about relatively sophisticated, expensive reps with big expense budgets. They're probably going to cost $200,000 - $300,000.

You can look at market rates in your area to see what those reps are going to cost to bring in, which will tell you how many you can hire.

Once you have that you can really start thinking about OTE. **How much business do these reps need to generate to make the whole business work?** And this involves a lot of metrics: Lifetime value of the customers they bring on, customer acquisition costs, payback ratios. So if it's costing me $50,000 to a close a deal that pays me $5,000 per month, that's a 10-month payback period. You need to look at that efficiency on your Sales spend to see how much you can pay these guys and how much quota they have to carry, and that's how you figure out OTE.

Of course, it also varies **how long it will take a new rep to become fully productive.** For some companies, their product is so simple, a rep can ramp up in 2 weeks. For others it can take 6 months. But once they are, their OTE to bookings should be around 10 to 15%.

Q: How do you use contests to motivate your reps?

A: Like I said before, I think it's really important to **emphasize team contests** over individual contests – it builds morale and reduces unhealthy competition. So we try to do fun things where the prize is something that the team can do together – going to a NASCAR track and letting the reps drive the car, taking a limo to the casino, stuff like that.

Conclusion

You've devised your own sales philosophy, built your team and coached your reps to succeed: now what? Now you need to develop a cadence for meetings – both for individual reps and your team as a whole. There are hundreds of meeting models out there, but Mark has come up with one that keeps your reps improving and your Pipeline clean. In the next part of this series, he outlines a great simple meetings cadence, by answering the following questions:

1. What meetings should a Sales Manager have with his reps?
2. Do you have specific tips for conducting these meetings?
3. How should I conduct the first one-on-one meeting every month?
4. How should I conduct Opportunity Reviews?
5. How should I conduct my full-team meetings?
6. How should I be forecasting?