



CASE STUDY

OKTA: FORECASTING AND PIPELINE MANAGEMENT

A case study on building a repeatable, scalable forecasting process to help drive pipeline and revenue growth

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OKTA: FORECASTING AND PIPELINE MANAGEMENT

A case study on building a repeatable, scalable forecasting process to help drive pipeline and revenue growth

By Kristina McMillan
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To support its aggressive growth plans and impending IPO, Okta needed to establish a rigorous forecasting and pipeline management process. This case study explains the challenges Okta faced and how its Business Operations team overcame them by aligning its go-to-market teams and other key stakeholders while devising a repeatable, scalable process supported by the right framework and tools. Readers of this case study can gain insights into and learn a three-step process for how to formalize and mature their own sales forecasting process.

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CHALLENGE: FORECASTING AND PIPELINE GENERATION WERE INCONSISTENT AND MANUAL

Stymied by an early-stage forecasting process

Many high-growth startups have visions of one day going public. However, most early-stage organizations lack the needed visibility into the health and trajectory of the business. That was the situation at Okta, a San Francisco-based company founded in 2009 that provides cloud-based identity management solutions to 6,000+ customers that include JetBlue, Nordstrom, Slack, and Twenty-First Century Fox. In March 2017, Okta filed to go public. A year before, Okta knew it had to abandon its reliance on manual forecasts and pipeline management in order to scale the success of the sales organization.

Like many sales organizations, Okta's Business Operations team had taken a "bottoms-up" approach to forecast management. This approach involved the sales reps providing an estimate of their expected achievement to their managers, and then the managers providing an estimate of their team's achievement to the leadership team.

1. Sales reps provide estimates on their expected achievement to their managers.
2. Sales managers use those estimates to determine achievement of their region.
3. Sales leadership uses the managers' estimates to forecast achievement for the entire sales team.

However, these estimates were based on the rep's own risk tolerance, and they were highly subjective. Though cumbersome, this process was somewhat manageable when the company had 30 sales reps, but it could not continue as the organization grew. Furthermore, Okta was more focused on managing current quarter performance than generating pipeline that would contribute to success in future quarters.

Successful forecasting and pipeline management requires a defined process and structured management

TOPO's best practices on forecasting and pipeline management can be distilled to three components:

- **Process:** Organizations clearly define the sales process with objectives and exit criteria for each stage.
- **Methodology:** Sales adopts a universal approach for selling that aligns reps on common language and expected actions.
- **Management:** Sales leaders follow a consistent, high-frequency cadence for reviewing progress and calibrating the forecast.

DEMOGRAPHICS

Company: Okta, Inc.

Industry: SaaS

Target market: SMBs and large enterprises

Product: Identity Management and Security

ACV: Varies by segment

Revenue: \$400M

** As of March 2018*

These three components normalize the subjectivity of each rep, enabling organizations to roll up forecasts into categories (e.g., commit, best case, upside) and improve the accuracy of those forecasts. To address these issues, Okta introduced a new sales management concept—balanced pipeline—to the entire go-to-market team. This approach involved:

1. Establishing new metrics for forecasting and pipeline management
2. Creating a new meeting cadence to drive the correct behaviors
3. Involving cross-functional stakeholders to support the sales team.

SOLUTION: CREATING A “BALANCED PIPELINE”

Maturing the approach to forecasting and pipeline management

Okta defines a “balanced pipeline” as every sales rep having sufficient pipe to achieve their quota in the current quarter and in successive quarters. (Note that a balanced pipeline does not mean each rep gets equal pipeline from marketing, partners, AE, and SDRs, nor does it mean having the same amount of pipeline as peers.)

While most sales teams focus on immediate pipeline and forecast, Okta recognized the best practice of equally weighting pipeline generation and near-term forecasting. This practice paves the way for all revenue-generating stakeholders to align their activities and day-to-day focus around monthly attainment through each quarter. However, rather than just give a nod to this practice, Okta formalized its process to ensure adequate pipeline coverage for a rolling three-month forecast.

Changing the definition of successful forecasting

The shift to a more balanced pipeline went beyond asking reps to follow good hygiene practices by creating oversight and a management cadence to ensure success. Whereas most sales teams “ask” their reps to maintain a certain amount of pipeline coverage, Okta defined detailed expectations around the milestones and behaviors that support forecasting success (see Figure 1).

Okta’s Forecasting and Pipeline Metrics (Figure 1)

METRIC	DEFINITION	TOPO ANALYSIS
Pipeline Creation	A weekly or monthly target that a rep (or team) must meet for generating new opportunities.	TOPO’s data shows that world-class sales organizations are constantly creating new pipeline. Top-performing sales leaders manage pipeline creation by tracking and measuring new opportunities created each week, with specific objectives or activities reps must meet each week (e.g., meet with 3 new accounts each week).
Pipeline Coverage	Expectations for the amount of pipeline reps should have at different points in time to set them up for success in future quarters.	TOPO’s data also shows that high-growth companies estimate sufficient pipeline coverage to be 3X pipeline coverage for the current quarter, 2X pipeline coverage for 3-6 months out, and 1X pipeline coverage for 6-9 months out..

Redefining forecasting and pipeline generation behaviors

To focus on the right areas at the right time, Okta's Business Operations established a regular cadence around weekly meetings focused alternately on forecast and pipeline. Forecast meetings zero in on the steps to close deals while driving toward accurate close dates. Pipeline meetings zero in on the granular inspection of pipeline creation and future quarter coverage. Importantly, these biweekly pipeline meetings are attended by the demand generation partners of sales, marketing, partners, AE, and SDRs which allows tactical conversations about how to affect these metrics vs. simply reviewing the data in the system.

As a result, Okta's sales organization has shifted from reviewing just the specific details of individual deals to now managing a broader view of all deals, pipeline generation activities, and coverage metrics. This approach has yielded better predictability and performance across the entire sales organization.

Gaining the ability to methodically grow pipeline

Most sales teams know 3X coverage is ideal, but they don't establish a formal process to address this goal. Lacking visibility into future pipeline coverage and wasting time discussing deal status, sales teams are hamstrung by inaccurate "just-in-time" forecasting. By actively managing both forecast and pipeline generation and establishing goals for future quarters – supported by the right processes and tools – organizations can more consistently, systematically, and confidently grow their pipeline and revenues (see Figure 2).

Outcomes to Expect from a Balanced Pipeline (Figure 2)

	FROM	TO
Visibility	No visibility into future pipeline coverage	Timely visibility into immediate and future pipeline coverage
Predictability	No confidence in future forecast	Managing pipeline over the next three quarters
Sales Execution	Managing and discussing deal status	Directing next actions to drive deal progression

APPROACH: DEFINING NEW METRICS AND A NEW CADENCE FOR FORECASTING SUCCESS

Establishing a new forecasting approach

To establish a new forecasting approach, Okta implemented three critical components to bring the “balanced pipeline” concept to life (see Figure 3). This involved defining new metrics, establishing a new meeting cadence, and acting to ensure optimal outcomes.

Okta’s Methodical Multi-Step Approach (Figure 3)

	DEFINE NEW METRICS	ESTABLISH NEW MEETING CADENCE	DRIVE ALIGNMENT AND ACTION
Description	Identify the most critical activities to track and act upon	Change current meeting cadence from weekly forecast review to alternating weekly forecast and pipeline management meetings	Position stakeholders within the go-to-market team to strategically support pipeline and to take action as needed
Example	Define specific objectives: <ul style="list-style-type: none"> • Current quarter pipeline coverage (e.g., 3X coverage required at the start of the quarter) • Q+1 pipeline coverage (e.g., 2X coverage four months out) • Q+2 pipeline coverage (e.g., 1X coverage six months out) • Pipeline \$ generated in current quarter (e.g., reps have a specific target for \$ of new pipeline create for then to be able to hit their pipeline coverage targets, based on conversion rates) 	Alternating weekly meetings that focus on forecast and pipeline progress so both get equal priority and visibility	Provide stakeholders with a consistent view into forecast and pipeline, and cascade meeting outputs into action plans Forecast meetings focus on deal strategy and progression Pipeline meetings involve the entire GTM organization (not just sales) to review the health of pipeline and actions that can be taken to build additional pipeline (e.g., marketing programs to support regions that are deficient in pipeline)

Specifically, Okta executed the following three steps:

- 1. Identified strategic forecasting elements and associated outcomes/metrics** to align with its balanced pipeline practice and ensure sufficient coverage at the start of each quarter. Okta defined forecast metrics relevant to closing deals while driving toward accurate close dates. Okta complemented these with pipeline metrics associated with lead qualification and pipeline coverage (see Figure 4).

Okta Defined Key Metrics (Figure 4)

	METRICS
Forecast	Monthly forecast Current quarter: Low, forecast, high Current quarter “coverage” by forecast category Q+1, Q+2 forecast
Pipeline	Opportunity creation Pipeline slippage within early vs. latter part of quarter Q+1, Q+2 pipeline coverage

By bifurcating its “funnel” of forecasting and pipeline and inspecting them separately, Okta establishes deeper rigor within the different “motions” of Qualification and Steps to Close, allowing the company to granularly track performance of each.

- 2. Established a new meeting cadence to support behavioral changes.** Okta socialized its new forecasting cadence in executive quarterly business reviews, and scheduled meetings with all involved (the sales team, marketing, partners, business operations, finance, etc.) to review, discuss, and solicit feedback. Explaining the process, why it would work, and how everyone could take action on it helped ensure company-wide alignment about how business would be managed. Understanding the critical balance between pipeline and forecast, Okta reviews pipeline and forecast every other week in meetings that follow a well-defined agenda (see Figure 5).
 - At the start of each quarter, the bi-weekly forecasting meeting focuses on ensuring a clear understanding of the forecast, with a review of commits and top deals.
 - In subsequent weeks, Business Operations inquires about upcoming quarters and expected close dates to surface potential risks and adjust the forecast as necessary.
 - On pipeline weeks, everyone with a stake in demand generation – regional sales leaders, marketing, SDRs, partners, etc. – meets. The regional sales leader explains whether sales is generating enough pipeline and has enough coverage. If not, the attendees devise a plan to address the shortcomings.
 - In all meetings, Okta covers both recurring updates and week-specific actions or updates, guided by a detailed agenda.

Okta's Sales Forecast and Pipeline Cadence* (Figure 5)

	A	B	C		
	WEEK 1 (Forecast)	WEEK 2 (Forecast)	WEEK 3 (Pipeline)	WEEK 4 (Forecast)	WEEK 5 (Pipeline)
Focus	Outlook and slip	Post-QBR	Recap	Linearity	Checkpoint
D Deals	Slipped deals from last quarter	Big deals for review	Q+1 Review all pipeline for next quarter	Month 1 deals	Q+1 Identify best case
E Inspection/ Actions	<ul style="list-style-type: none"> • MEDDICCC • MAPs • Partners 	<ul style="list-style-type: none"> • CGap @ 50% • MEDDICCC • MAP/MDP • Dependencies 	Watchlist and plan	"Must win" for quarter	Review <ul style="list-style-type: none"> • CFQ • Accepted ops • C+1 top deals • Next steps
F Demand Generation Partners			<ul style="list-style-type: none"> • Last quarter results • CFQ plan/prog 		Watch/current quarter update

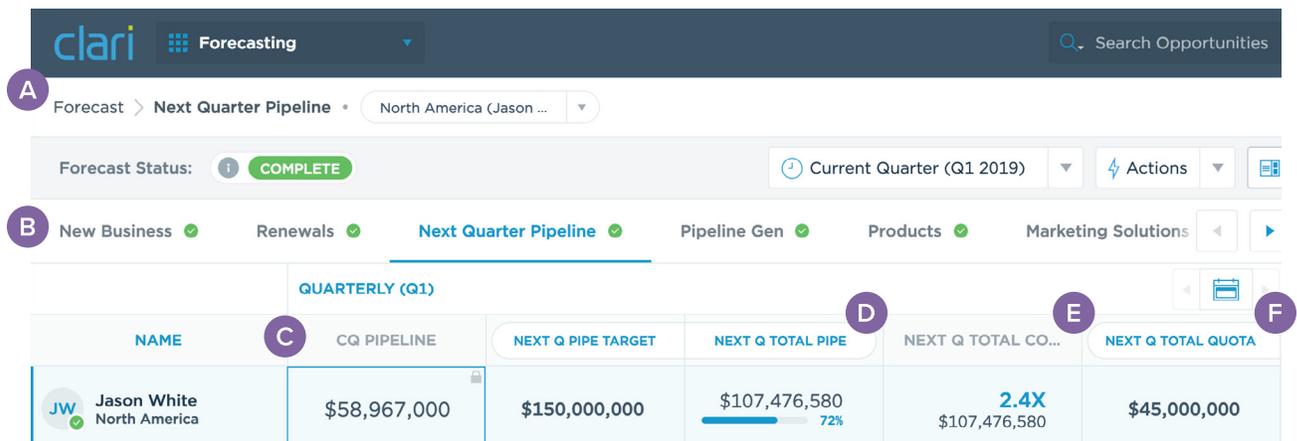
- A** = Okta manages the sales team in weekly cadences that alternate between discussing forecast one week and discussing pipeline generation the next.
- B** = For example, in week 1 of the quarter, the weekly meeting focuses on the forecast and reviewing deals that slipped from the previous quarter.
- C** = For example, in week 3 of the quarter, the weekly meeting focuses on pipeline generation and upcoming campaigns or other pipeline generating activities.
- D** = Depending on the week, the entire sales team focuses on reviewing specific types of deals to ensure that all deals (early and late stage) get managed.
- E** = Depending on the types of deals the team focuses on in a given week, Okta has also given guidance to the team on what to assess, which ensures that all sales leaders and reps follow a consistent process.
- F** = For the weeks that focus on pipeline, stakeholders from marketing or other cross-functional teams participate and help drive pipeline generation activities.

* See Appendix for the complete cadence

3. Created better visibility to drive corrective action. In addition to establishing a process to gain better visibility into pipeline generation, Okta established a process to actively drive corrective action if pipeline is lower than expected. Okta's Business Operations team consolidated data from all major systems of record (e.g., CRM, business intelligence, etc.). The team kept the dashboard simple for all stakeholders, ensuring everyone could interact intuitively with the data as a point of reference for conversations and quickly drill down where needed. Okta chose Clari for this process, as it reads/writes in real time with Salesforce. By having a single place to see coverage and pipeline generation (i.e., "balanced pipeline") right next to sales' submitted forecast for any given period of time (monthly, current quarter, next quarter), the company can ensure that the entire GTM organization is equipped to achieve its goals.

For example, as seen in Figure 6, Okta can monitor Jason White, a fictional regional vice president of sales, for the current quarter along with the target for next quarter and total pipeline. By seeing how his team's pipeline is evolving compared to the forecast projection, Jason can identify areas of concern. Any instances of weak pipeline generation can raise a flag for potentially weak coverage in future quarters and Jason can work with other stakeholders in the GTM organization to address.

Screenshot of Dashboard Showing Forecast and Pipeline Coverage by Region* (Figure 6)



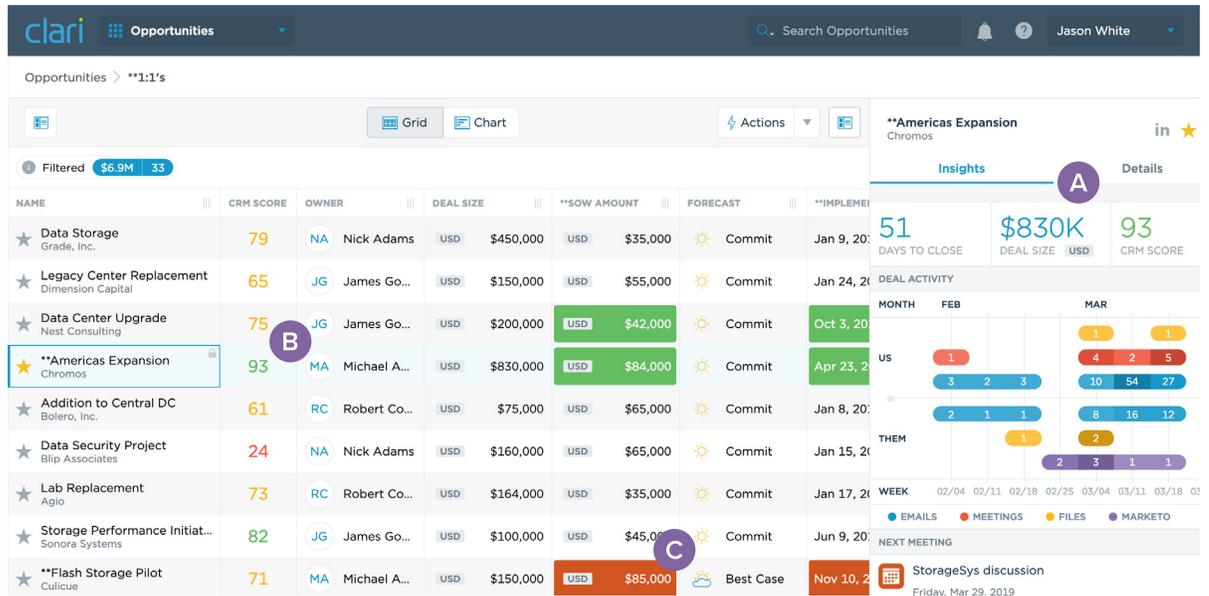
- A = "Forecast" view tracks metrics around New Business, Renewals, and Next Quarter Pipeline for any regional team down to the individual rep.
- B = Forecast submitted by reps and rolled up to managers for different segments of the business.
- C = Managers and reps can quickly view the current quarter pipeline status.
- D = Actual factored pipeline for next quarter tracking at 72% of \$150,000,000 goal with a few weeks left to go in the quarter.
- E = Current pipeline coverage at 2.4X against \$45,000,000 quota for next quarter, but the goal is 3X at \$150,000,000.
- F = Quota for next quarter.

* Data for illustration purposes only

The view shown in Figure 7 provides a quick view of all opportunities and how they are tracking for Jason White, a fictional regional vice president of sales. It shows key information for each deal including size, SOW amount, forecast, and forecast category.

An AI-driven CRM score ranks the health of the deal (0 = lost; 100 = won), and Okta can hover over the score to see the factors behind it.

Screenshot of a Deal Report Showing Key Deal Information* (Figure 7)



- A** = AI insights, details, and sales and marketing activities associated with the deal help managers inspect the pipeline and focus on actions rather than asking for updates.
- B** = Managers focus their time on deals with the lowest AI score, prioritizing deals that are not progressing well and where the rep might need more support.
- C** = Managers can quickly spot real-time positive or negative changes on a deal based on colors (closed date pushed out = red, deal size increased = green) to identify deals that might be at risk.

* Data for illustration purposes only

To empower stakeholders to take action in such cases, Okta instituted a requirement for these stakeholders to attend meetings with ideas aimed at enabling better performance in the key metrics. For instance, if a Regional VP (RVP) of Sales is seeing low next quarter coverage, the RVP might ask marketing if it has any “fast converting” upsell campaigns planned to assist in this coverage. Or, if one region is doing better than another with forecasts and sales, the RVP could inquire about the GSI resource allocation across the two regions. Business Operations captures decisions from these meetings in a plan of action that is shared with all stakeholders.

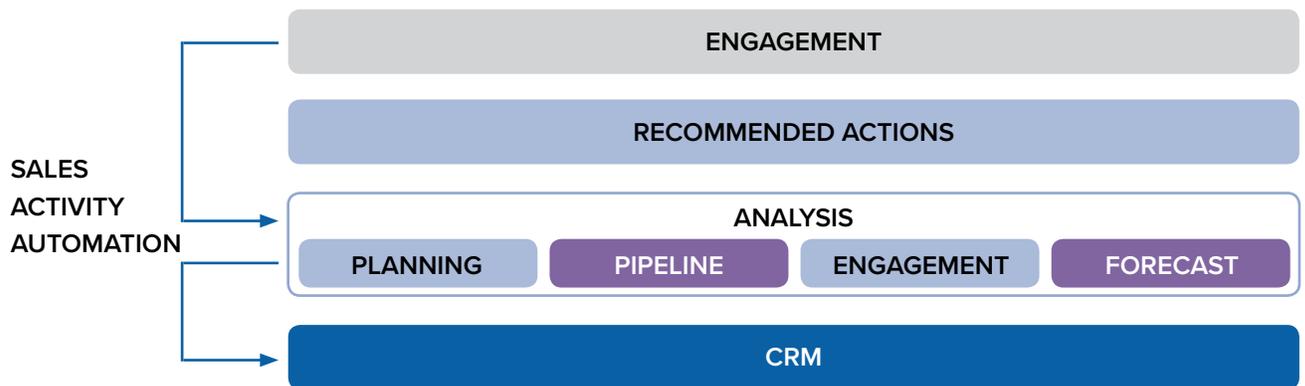
Meetings aimed at identifying and addressing sales forecasting risks are more effective when approached intentionally, with hypotheses to discuss. It’s equally important to determine, document, and assign next steps to ensure resolution.

TECHNOLOGY: SCALING THE NEW PROCESS

Visibility was critical to driving adoption of the new process

Okta's forecasting process is supported by sales management technology. TOPO's overview of the sales management technology stack (see Figure 8) includes forecasting and pipeline tools. Forecasting applications help predict sales revenue for a near-term period, whereas pipeline applications are intended to provide visibility into potential revenue for periods beyond the near-term forecasting range. Pipeline has traditionally been difficult to manage due to a lack of trusted data and visibility, but it is critical to ensuring repeatability.

Major Segments of the Sales Management Technology Stack (Figure 8)



Okta uses Clari – an AI-powered connected revenue operations platform – to get a visual status of forecast and pipeline generation. To ensure a focus on metrics and enable Okta employees to be more effective with their time, a single dashboard serves as a forecast module. All sales leaders and reps submit their forecasts through Clari, and they can update deal status at any time, even from their mobile devices. Through the dashboard, everyone in the company can see:

- What is being forecasted and why
- The status of every deal
- Changes to opportunities
- Week-over-week pipeline against forecast
- Pipeline generation against targets
- Pipeline coverage multiple quarters out against targets

In addition to the earlier dashboards shown, Okta uses a view (see Figure 9) to discover coverage and forecast issues early, enabling stakeholders to take action. This dashboard shows a progression of the

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quarter week over week, aligned with pipeline categories (e.g., close, commit, etc.). Most sales teams struggle to aggregate and analyze the disparate types of information necessary to get an accurate picture at any point in the quarter.

This view shows how Jason’s pipeline is progressing week over week throughout the current quarter (or could be flipped to next quarter for out quarter coverage). The horizontal lines show the human forecast call vs. the machine AI projection against quota, giving a singular view of where Okta will land at the end of the quarter. Sales leaders can see this information on the individual rep level, as well as the team or region level, to help them gauge performance overall, thus avoiding end-of-quarter surprises.

Screenshot of a Dashboard Showing Forecast and Pipeline Trends over the Quarter* (Figure 9)



- A = Key metrics for the quarter: AI projection, team’s hard commit, pipeline coverage, and gap to quota
- B = Hard commit by the team evolving week over week
- C = The dotted line shows the quota amount
- D = AI-powered forecast projection based on historic performance

* Data for illustration purposes only

KEY TAKEAWAYS

Best practices for systematically improving forecasts

As a high-growth company, Okta had in place key elements for success, including a proven product/market fit and high-performing sales reps. However, to achieve its goal of going public and establishing itself as a viable company in the technology landscape, Okta needed a repeatable, scalable forecasting process. Without processes in place, it's hard withstanding the scrutiny when forecasts fall short.

While alignment is often elusive for go-to-market teams, Okta's rigorous forecasting process drives better alignment; the process also provides a framework for understanding and discussing pipeline issues, generating continual conversations, driving meaningful actions, and surfacing overlooked sales opportunities. The company is now able to proactively manage and improve its early-pipeline development.

To develop a repeatable, scalable forecasting process, TOPO recommends that organizations adopt the following best practices:

- **Establish a clear process for pipeline management and forecasting.** A crucial step in establishing an effective forecasting process is ensuring that everyone in the organization adopts the same processes, languages, and expected actions. For Okta, this meant that all sales reps used the same methodology for managing deals, driving progress, and evaluating likelihood to close.
- **Redirect pipeline and forecasting conversations away from status and toward necessary next actions.** Leveraging technology to provide all stakeholders with detailed visibility into the numbers keeps everyone aligned and focused on the next best actions to take to help progress deals in the process.
- **Include relevant stakeholders that can help drive progress against forecast and pipeline objectives.** Incorporating all relevant functions in pipeline generation and forecasting ensures meetings are productive and conclude with a plan of action. Doing so also allows these stakeholders (e.g., marketing) to adjust their actions to support the real-time needs of the pipeline.

ABOUT TOPO

TOPO works with high-growth companies to transform their sales, sales development, and marketing organizations into world-class functions. B2B organizations rely on TOPO research and consulting to make informed strategic decisions that drive pipeline and revenue growth.

We do this by offering:

1. **Data and benchmarks** collected from the world's fastest-growing companies across hundreds of key metrics.
2. **Research, best practices, and tools** that make faster revenue growth a reality by focusing on specific, actionable strategies, tactics, and plays.
3. **Personalized advice and support** from sales and marketing's best and brightest—TOPO analysts and your peers from the world's fastest-growing companies.
4. **Consulting** that helps you address big sales and marketing issues in a manner that's deeply specific to you. Our consulting work focuses on areas such as go-to-market strategy, organizational design, and marketing/sales processes.
5. **Events and peer networking** with industry-leading practitioners to learn and share best practices associated with top-performing sales and marketing teams

About the analyst

Kristina McMillan, *Vice President of Research*

Kristina McMillan leads the analyst and consulting teams for all of TOPO's practices. Her organization develops and delivers frameworks and best practices that help clients cultivate world-class marketing, sales development, and sales organizations. She has worked with hundreds of high-growth companies from early-stage start-ups to industry giants such as Google, Oracle, HP, and more.

For more information

To find out how TOPO can help you grow revenue faster, contact us at:

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APPENDIX

Sales Forecast and Pipeline Cadence

	WEEK 1 (Forecast)	WEEK 2 (Forecast)	WEEK 3 (Pipeline)	WEEK 4 (Forecast)	WEEK 5 (Pipeline)	WEEK 6 (Forecast)	WEEK 7 (Pipeline)	WEEK 8 (Forecast)	WEEK 9 (Pipeline)	WEEK 10 (Forecast)	WEEK 11 (Pipeline)	WEEK 12 (Forecast)
Focus	Outlook and slip	Post-QBR	Recap	Linearity	Checkpoint	Big one	Pivot	Linearity	Checkpoint	Linearity	Outlook	Path to #
Deals	Slipped deals from last quarter	Big deals for review	Q+1 Review all pipeline for next quarter	Month 1 deals	Q+1 Identify best case	Commit	Q+N Top deals	Month 2 deals	Q+1 Identify best case and commit	Month 3 deals	Q+2 Top deals	"Must win"
Inspection/ Action	<ul style="list-style-type: none"> MEDDICCC MAPs Partners 	<ul style="list-style-type: none"> CGap @ 50% MEDDICCC MAP/MDP Dependencies 	Watchlist and plan	"Must win" for quarter	<ul style="list-style-type: none"> Review CFQ Accepted ops C+1 top deals Next steps 	<ul style="list-style-type: none"> Pipe removed CGap @ 80% Exec sponsor 	Potentially revise watchlist	<ul style="list-style-type: none"> "Must win" for quarter Steps to close for Month 2 	<ul style="list-style-type: none"> CFQ accepted Opps C+1 top deals 	<ul style="list-style-type: none"> CGap @ 100% "Must win" for quarter 	Q+1 watchlist	<ul style="list-style-type: none"> MAPs Risk deals and coverage
Demand Generation Partners			<ul style="list-style-type: none"> Last quarter results CFQ plan/prog 		Watch/current quarter update		<ul style="list-style-type: none"> Current quarter Months 2 and 3 Programs 		Watch/current quarter update		Est. final att. Q+1 programs	