Routable

Hierarchy of Accounting Needs: *A Framework for Unlocking Value*

Introduction

Organizations are spending +80% of their time contending with bottom of the pyramid tasks, while 80% of their value to the organization is at the top of the pyramid.

You've likely heard of Maslow's Hierarchy of Needs: humans must focus on basic needs first before we can start to focus on growth.

What does this have to do with corporate finance? It operates in a similar way. There are basic accounting and finance requirements that must be met before teams can start to focus on business enablement and growth.

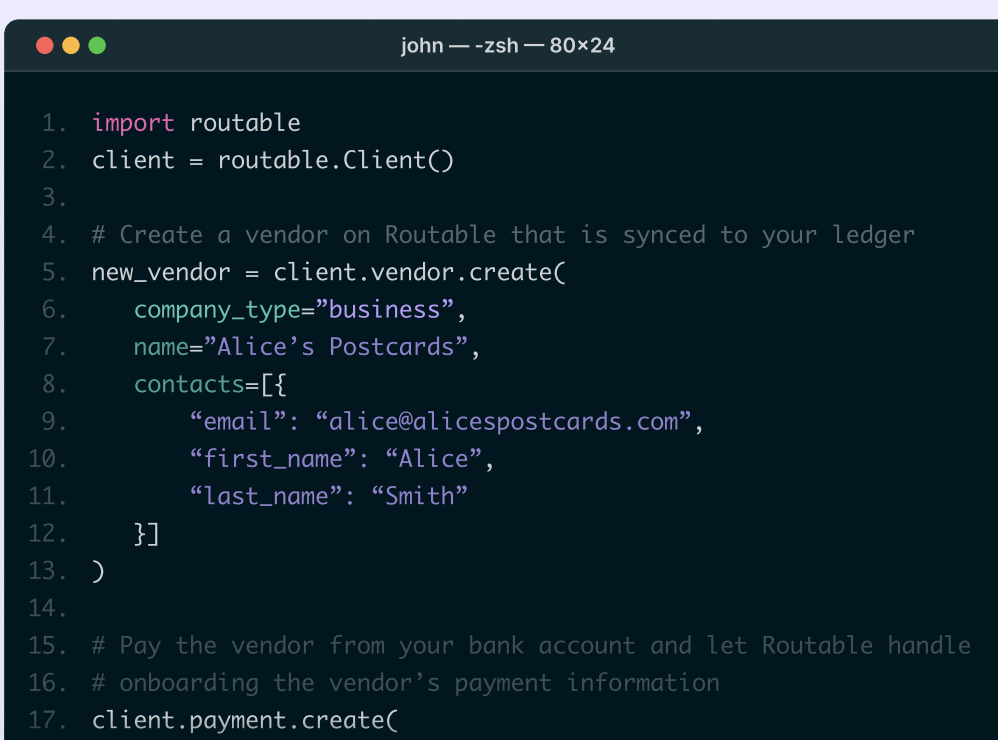
Here at Routable, we've built a Hierarchy of Accounting Needs: a framework for understanding how to progress from the basics to strategic activities.

Today, finance organizations spend 80% of their time contending with tasks on the bottom of the pyramid. This makes sense - having precise and accurate accounting is the most important requirement for an accounting team. If you don't get that right, none of the rest matters.

It's critical to have a solid foundation before thinking about more advanced topics. However, 80% of the value to the organization is at the top of the pyramid.

This guide explores the levels of the hierarchy, and discusses ways that new technology can help you unlock the higher-value parts of the pyramid for better business results.

Precise and accurate accounting



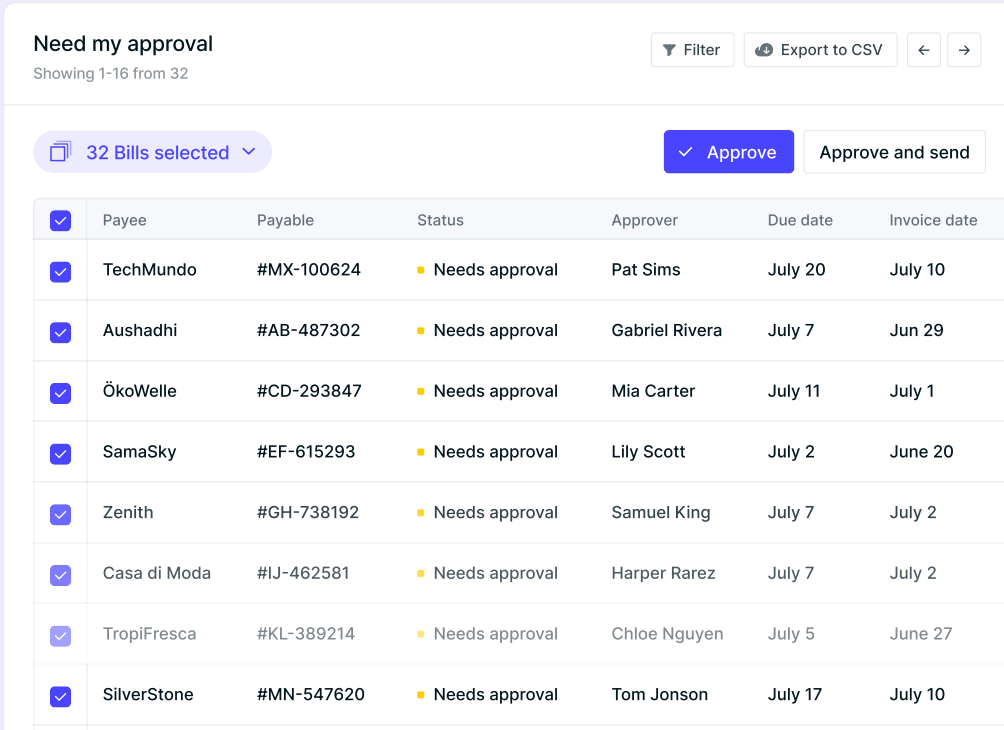
It's no wonder that teams spend most of their time managing precise and accurate accounting. If the books aren't right, it's not only a risk to the business, but to your job security as well.

Not only is this step critical, it is also time-consuming. Manual work and navigating legacy accounting systems make it challenging to get out of the weeds on this.

But new technology is automating accounting processes, so that teams are freed up from this grind.

If you are confident in your company's accounting, you can start to think about meeting compliance needs.

Compliance needs met

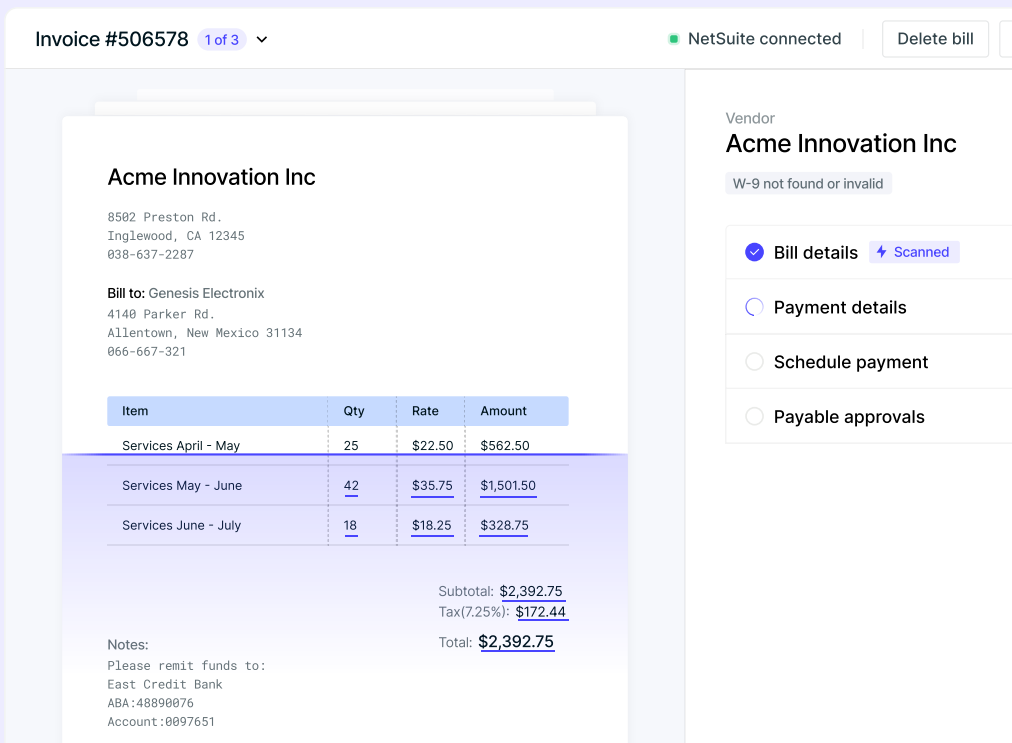


One of the key reasons we need precise and accurate books is to ensure compliance. The risks of non-compliance are big, so it's critical to ensure you are meeting requirements.

As an example, during an audit you need to be able to show who approved what, and why, and that you have the proper controls in place.

To document this manually is painfully labor intensive and error-prone. Luckily, modern AP systems track this data automatically, making it easy to ensure compliance - and your ability to prove it.

Risk mitigation, policies, and *procedures*



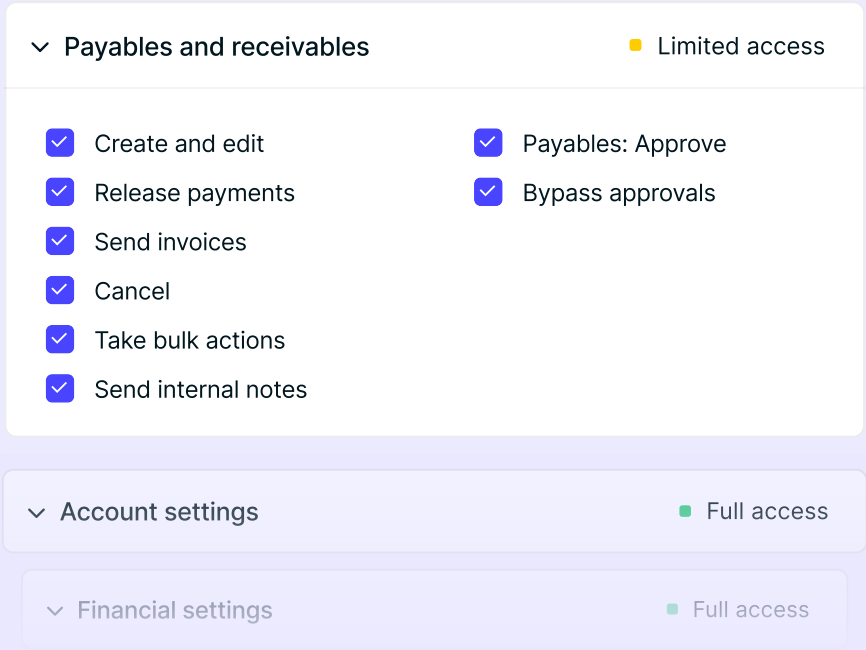
If basic compliance is met, you can begin to tackle setting up the right policies and procedures to ensure you are mitigating risk.

With controls and procedures in place, and ideally enforced by software, companies can mitigate the risk of internal fraud.

Forward-thinking finance and accounting teams also establish a process to “Know your Payee” - validating and vetting that vendors are who they say they are, and are not on any watchlists. This helps to protect the business from paying bad actors.

There are also tools that help ensure companies prevent any loss due to external invoice fraud or even human errors. New innovation in AI can do things that are difficult for humans to do on their own - for example, identifying invoice anomalies such as changes to routing info. It can also flag potential human error - like duplicate invoices, or an extra 0 added to a bill.

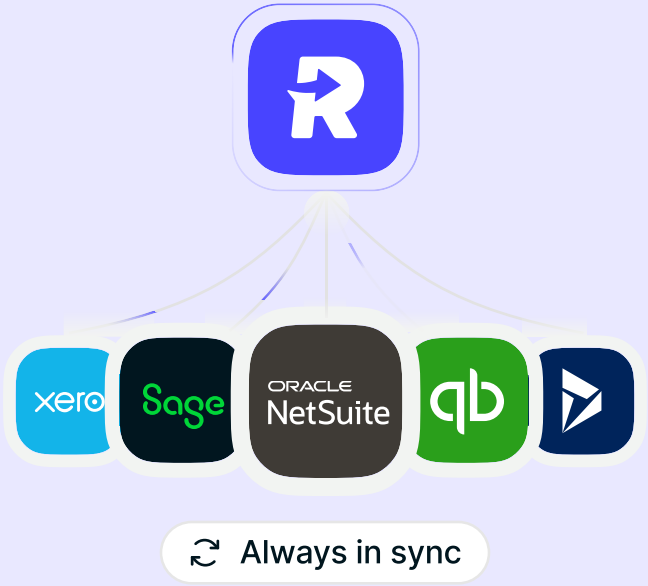
Measurement and *management*



With the basic requirements under your belt, you can now begin to measure and manage the financial health of the business.

This may mean pulling financial metrics for your board of directors, or managing the data shared about quarterly earnings.

Meet *finance business goals*



Once you've got the right measurement mechanisms in place, you can turn your focus to establishing and achieving goals for finance. These are your own team's goals - whether that's optimizing for cash flow or shortening your month-end close. You can monitor KPIs and identify opportunities for improvement as a finance function.

Strategic planning

After identifying and meeting your finance goals, it's time to look into the future. You can help the business identify where to make the best investments, how to handle your cash, ways to optimize budgeting and improve forecasting, and more.

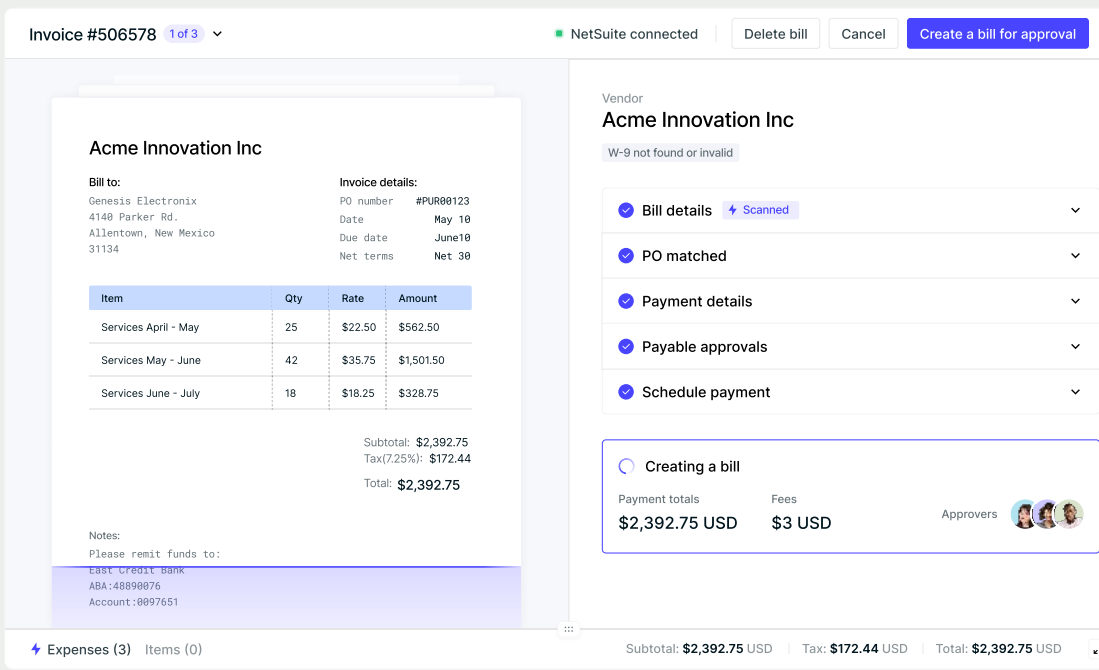
For advanced FP&A activities, you have to ensure that all of your accounting data and metrics are correct - that's why this is so far up the pyramid.

Enable the business to meet goals

Once you've built your strategic plan, you can then focus on enabling the business as a whole to meet its goals. Here, collaboration is key. You will want to partner strategically across business lines to support all teams as you march towards the company goals. Your success is the business's success.

Where technology helps

Automation



The real value for your organization is at the top of the pyramid. But the harsh reality is that 80% of time is spent on the bottom part of the pyramid due to manual work and outdated systems.

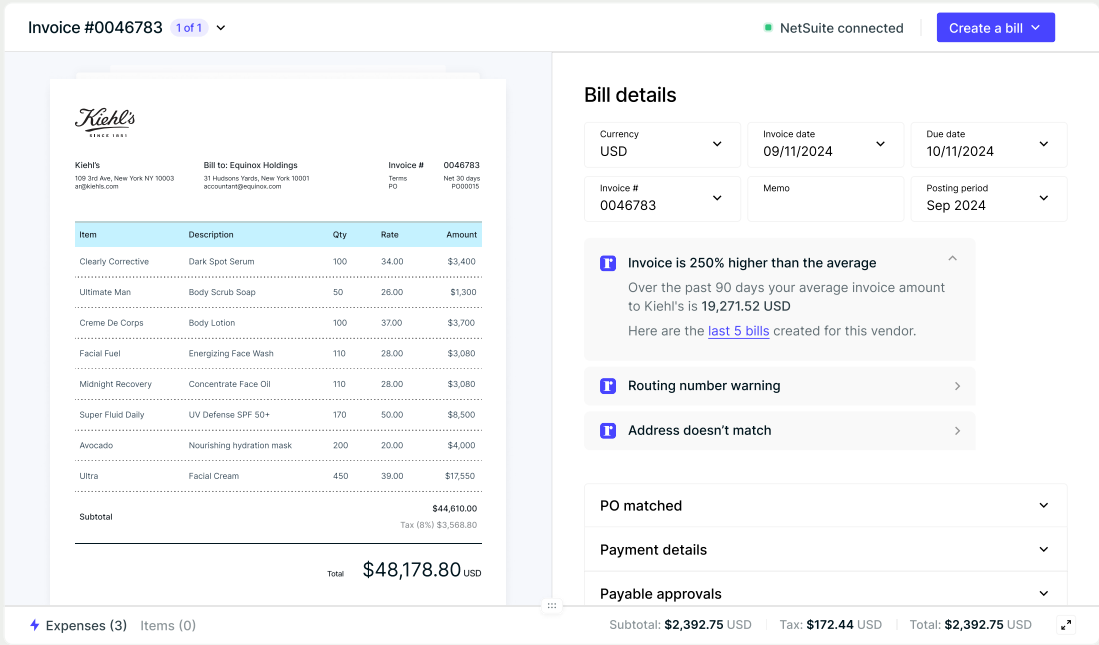
In order to free up teams for the most impactful work, forward-thinking finance teams are turning to new tools for automation.

For example, with newer accounts payable automation platforms, you can automate things like:

- Invoice capture and bill coding
- 2-way and 3-way PO matching
- Approval workflows, whether simple or complex
- Payments to vendors and contractors, whether international or domestic, in bulk or one-off, and at varying speeds
- Reconciliation in your accounting system
- Vendor onboarding, tax document collection, and risk checks

By automating accounts payable you can drastically reduce the time spent on the bottom of the pyramid, and strategically allocate the time savings to the more impactful parts of the pyramid.

AI Impacts



New applications of AI are enabling teams to leapfrog up the pyramid.

Advances in OCR enable AP teams to scan and read invoices in mere seconds, where it used to take hours. The OCR can be trained via machine learning to become more accurate as it reads more and more invoices. Machine learning can also be used to predictively code bills, saving accounting teams valuable time.

AI can also be used to prevent fraud. By leveraging machine learning and Gen AI, AP automation platforms can:

- Detect invoice anomalies
- Identify changes in banking/routing info
- Alert to modifications to attachments, invoices, contracts, W-9 forms, and more

Conclusion

Strategic finance and accounting requires that the basics are in place. Once the foundation is built, teams can begin to move up the pyramid.

Automation and AI are helping teams free up the time spent on the lower levels of the pyramid, so they can focus on strategic work, accelerate the maturity of the finance and accounting organization, and ultimately meet business goals.

Routable

Routable's Accounts Payable Automation platform offers the most efficient and robust solution to streamline and scale the end-to-end AP process. With automated invoice capture and processing, flexible payment options, and seamless vendor management, Routable reduces manual payment tasks by 80% so finance teams can focus on impact. Routable's deep ERP integrations and configurable approval workflows support complex business requirements with ease. Routable eliminates compliance headaches through detailed audit trails, role-based access, and vendor risk checks. All with an average savings of 30%. AP Automation, solved.