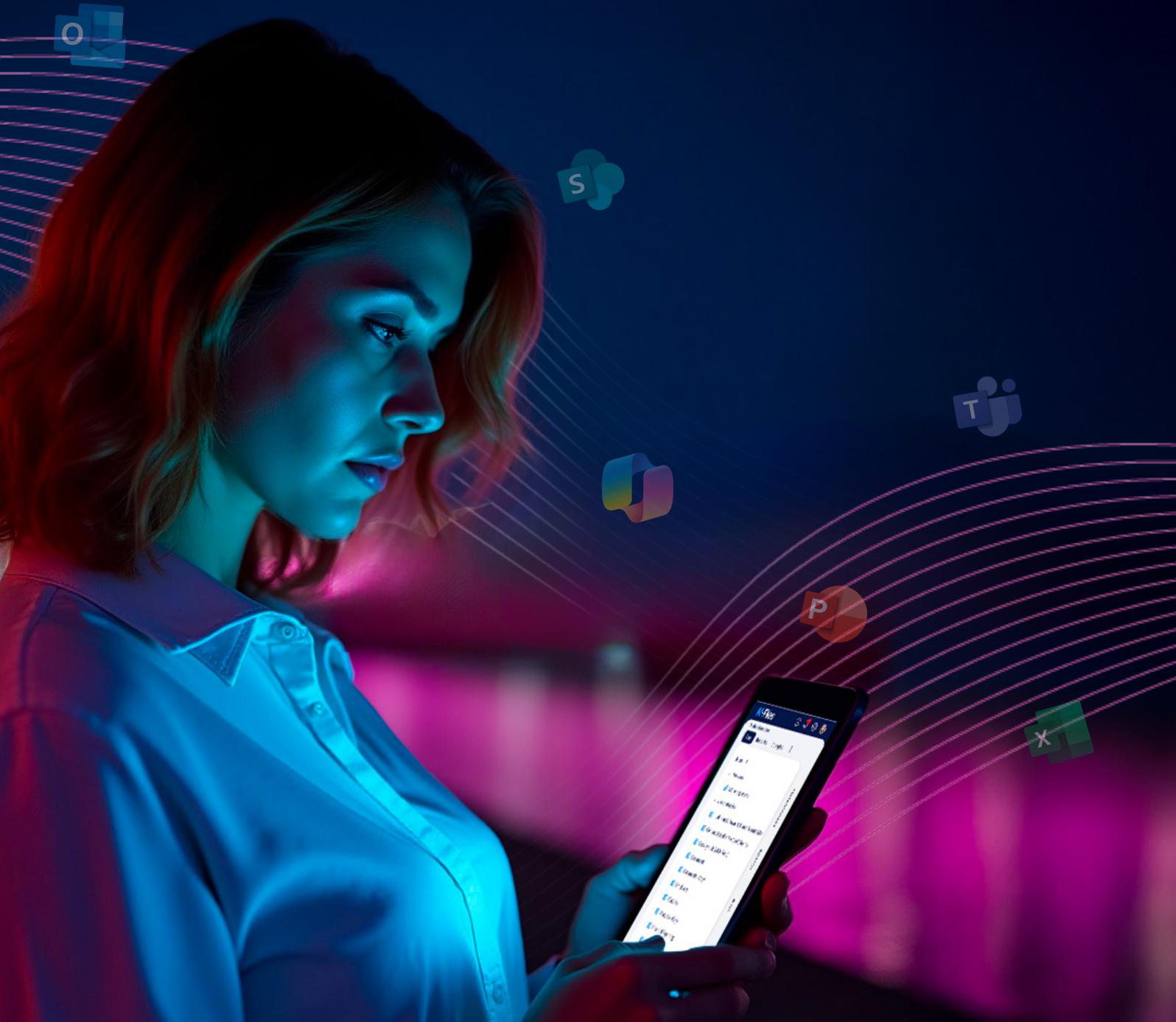


ARCHITECTED FOR AI: *A STRATEGIC GUIDE TO MODERN DOCUMENT MANAGEMENT*



THE HIDDEN COST OF INFORMATION SPRAWL

In today's digital workplace, information sprawl—data scattered across email, shared drives, CRM, ERP, and project tools—erodes productivity and alignment. As organizations scale, so does the volume of documents, emails, chats, and media. Without a unified structure, employees waste time searching for content, duplicating work, and reconciling conflicting versions—dragging down focus on high value tasks and driving up costs. This growing complexity creates operational friction, the invisible drag that slows decisions, increases risk, and limits AI's potential.

Even with AI in place, results fall short when content is siloed or disorganized. AI depends on clean, structured, and accessible data; when it isn't, insights become unreliable, and noise increases instead of value. What's missing isn't just structure - it's context: the relationships between documents, people, projects, and processes that give information meaning.

The impacts compound in complex, timeline sensitive industries like manufacturing, accounting, professional services, engineering, and construction. Manual handoffs and fragmented workflows introduce errors, delays, miscommunication—derailing schedules and inflating budgets. Without clear visibility into how systems and workflows connect, organizations face persistent bottlenecks that stall progress and amplify inefficiencies.

COMMON FAILURE MODES

- **Version confusion:** When documents live in multiple locations—email attachments, shared drives, personal folders—teams struggle to identify the latest version. This creates a cycle of duplicated work, conflicting edits, and wasted time reconciling discrepancies. Over time, trust in the accuracy of information erodes, leading employees to recreate files rather than risk using outdated content. The result: slower decision-making and higher operational costs.
- **Context switching:** Employees constantly toggle between email, chat, storage platforms, and task trackers to complete even simple workflows. Each switch disrupts focus, introduces cognitive load, and increases the likelihood of errors. This fragmentation doesn't just reduce throughput—it drains mental energy, accelerates burnout, and makes it harder to maintain momentum on strategic initiatives.

WHEN TOOLS FAIL PEOPLE: *THE HUMAN COST OF INEFFICIENCY*

EMPLOYEE FRUSTRATION AND DISENGAGEMENT DUE TO POOR USER EXPERIENCE (UX)

When digital tools are unintuitive or overly complex, they disrupt daily workflows. Employees struggle to find documents or complete tasks, leading to frustration, disengagement, and lower productivity. Poor UX makes systems feel like obstacles, eroding morale and increasing turnover. When tools don't align with how people naturally work, employees often disengage—not just from the tools, but from broader transformation efforts. Friction then builds into daily work when these tools lack context and coherence.

THE RISE OF SHADOW IT AND UNAUTHORIZED FOLDER CREATION

Rigid or inefficient systems often result in shadow IT, with employees creating personal folders, using unauthorized cloud services, or sharing files. While convenient, these workarounds silo information, disrupt version control, and introduce security risks. Shadow IT undermines governance, complicates audits, and makes it hard to maintain a single source of truth.

RESISTANCE TO TRANSFORMATION INITIATIVES

Digital transformation offers efficiency and innovation, but without clear benefits or support, employees may feel overwhelmed and resist changes, especially if past efforts failed. This resistance is often practical: fear of losing workflow control, steep learning curves, or distrust in leadership. Without thoughtful, user-centered implementation, even the best tools can fall short.

The Cost of Chaos: By the Numbers

\$25M/year

Lost productivity for a 1,000-employee company due to time wasted searching for documents.

\$20K per employee

Annual cost of document challenges like searching, filing, and recreating lost files.

\$12B annually

Estimated losses for Fortune 500 companies from inefficient document management.

\$220 per file

Cost to recreate a single lost document—plus the risk of errors and delays.

Sources:
IDC Research. The High Cost of Not Finding Information.
AllIM & Gartner Reports. The True Cost of Document Challenges.
Fortune 500 Analysis. Impact of Poor Document Management.
Industry Benchmarks. Document Filing and Retrieval Costs.

GOVERNANCE AND COMPLIANCE RISKS IN THE AGE OF AI

RISKS OF UNMANAGED REPOSITORIES AND LACK OF CENTRALIZED CONTROL

As AI becomes embedded in daily work, the stakes of poor governance rise. When policies don't follow the content—or aren't consistently enforced—organizations face unnecessary legal exposure, audit friction, and reputational risk. Centralized control isn't about locking things down; it's about making sure the right people have the right access for the right amount of time—and being able to prove it.

The real risk? AI doesn't inherently know what is shareable or confidential. It will analyze and surface insights from everything it has access to—unless explicitly told not to. This means that sensitive information stored in unmanaged or poorly governed locations could be unintentionally exposed, shared, or used in ways that violate compliance policies or privacy standards.

Centralized control isn't just a best practice—it's a safeguard against the unintended consequences of intelligent automation. As AI becomes more embedded in daily workflows, the need for clear boundaries and robust governance becomes critical.

CHALLENGES IN ENFORCING RETENTION POLICIES AND ACCESS PERMISSIONS

Retention policies are designed to ensure documents are kept for the right duration—no longer, no shorter. But in environments where content is scattered across disconnected systems, enforcement becomes unreliable. Files may be retained beyond their legal limits, deleted prematurely, or overlooked entirely. Similarly, access permissions are often inconsistent, exposing sensitive data to unauthorized users or blocking critical information from those who need it.

This challenge is magnified by the rapid adoption of AI across enterprises. As AI lowers the barrier to content creation, the volume of documents, drafts, and data grows exponentially. Manual oversight can't keep pace. Without automation and centralized visibility, organizations face mounting difficulty in governing this expanding content landscape.



THE LIMITS OF FOLDERS IN THE AGE OF AI

For decades, hierarchical folders have been the default way we store and find information. They feel natural because they mimic paper filing: create a cabinet, add drawers, nest folders, and trust that future you will remember where everything lives. That familiarity is comforting—but it’s also quietly expensive. In an era of AI assisted work, real time collaboration, and stringent compliance, traditional file structures struggle under the weight of modern demands. The result is a widening gap between where content lives and how work actually happens.expanding content landscape.

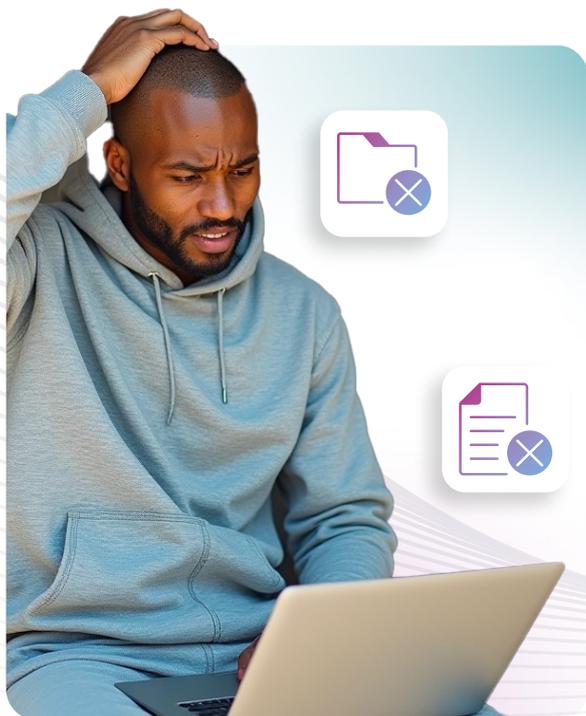
THE HIDDEN “RIGIDITY TAX”

In modern work, hierarchies don’t scale. The real cost isn’t just duplication or rework—it’s slow decisions, siloed teams, and AI that can’t help. The problem isn’t “folders.” It’s what folders do. Folders organize by location, not by meaning. They strip documents of the context that explains what they are, who they relate to, and how they fit into business processes.

Traditional folder structures impose a rigidity tax: they force organizations to commit to a single way of organizing information upfront. That structure becomes brittle over time, leading to a findability gap, a navigation burden, and the inefficiency of a single-path mindset—where users must know where something is, rather than what it is.

This rigidity creates strategic drag:

- **Isolation and access friction:** Content is scattered across personal drives and team shares. Retrieval depends on tribal knowledge and guesswork, not clarity or context.
- **Collaboration entropy:** Sharing often means duplicating. Versions multiply, confusion grows, and confidence in the “truth” erodes.
- **Governance gaps:** Folder-based systems struggle to enforce retention, classification, and access policies at scale. Manual fixes don’t scale, and audit trails are incomplete.
- **Change brittleness:** Processes tied to folder paths and file names resist change. Reorganizing breaks links, automations, and habits—so teams avoid it, compounding future costs.
- **AI can’t reason over chaos and it can’t infer missing context:** Without consistent metadata and lifecycle rules, AI retrieves fragments, not insight.



Bottom line: Folders comfort us with the illusion of control—but the real cost is operational drag: they lock information into brittle hierarchies that slow collaboration, create governance blind spots, and prevent AI from working effectively. The solution isn’t better folders. It’s a shift in how documents are understood and managed - from location-based storage to context-driven intelligence.

LEGACY DOCUMENT MANAGEMENT: *THE BARRIER TO REALIZING AI PRODUCTIVITY GAINS*

Why Legacy Systems Hold AI Back

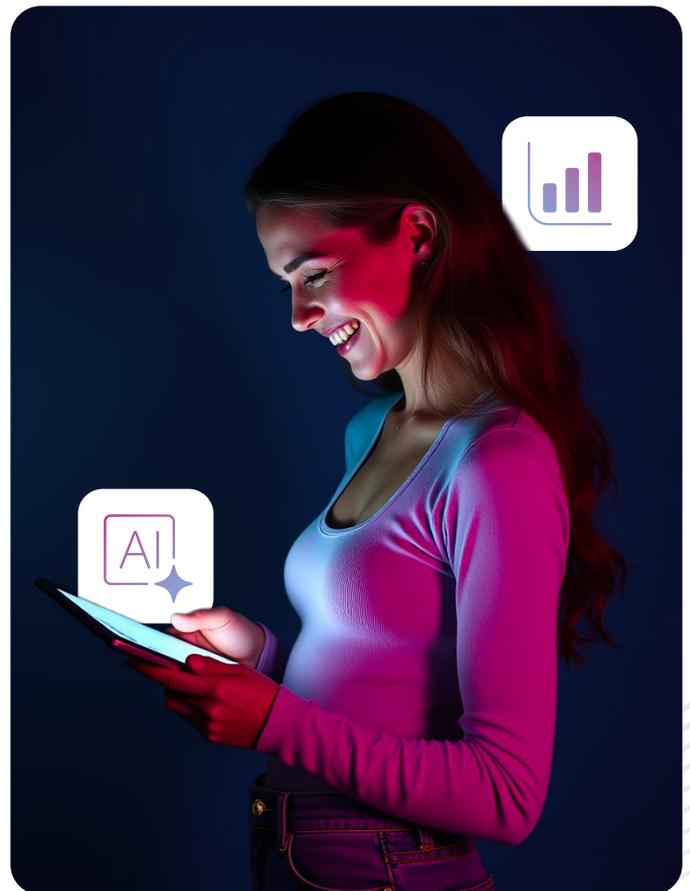
Traditional document management systems were designed as digital filing cabinets. They store files, but they don't create intelligence. In the age of AI, that's not only inefficient, it's also a barrier to productivity, compliance and trust.

Legacy systems struggle with three main problems:

- **Poor Content Quality:** Files are inconsistently named, scattered across drives, and lack the metadata and context AI needs to understand them.
- **Fragmented Information Governance:** Retention, permissions, and compliance policies are applied unevenly - exposing the organization to unnecessary risk.
- **Siloed Systems:** Departments and tools operate separately, creating duplication and slowing collaboration.

AI doesn't fix these problems - it makes them worse. When content is scattered or of poor quality, AI then surfaces irrelevant, outdated, or even sensitive information. Instead of accelerating work, it undermines confidence and increases risk.

To unlock AI's promise, organizations need more than storage. They need a context-first content foundation: metadata-driven, relationship-aware, centrally governed, and embedded in daily tools. Only then can AI deliver accurate insights, automation, and measurable productivity gains.



WHAT MODERN WORK DEMANDS FROM A DMS

Modern work is fast, distributed, and increasingly powered by AI—but AI and modern work don't just need storage. They need structure, governance, and automation built into the flow of work. As teams collaborate across countless tools and platforms, content multiplies and must be organized, secured, and made actionable. A next generation Document Management System (DMS) therefore has to do more than hold files—it must turn information into an advantage by making it findable, trustworthy, and actionable. *To eliminate operational friction and unlock AI potential, a modern DMS must meet six critical requirements:*



1. UNIFY WITHOUT DISRUPTION

Today's content lives everywhere—email, chat, shared drives, and business apps. Replacing all those systems isn't realistic and forcing people to change how they work only slows progress.

A modern DMS should **connect these sources into a single governed layer** without ripping and replacing what already works. This means users stay in the tools they know, while IT gains centralized visibility and control. The result? A unified experience without the disruption of a massive migration.



2. MAKE METADATA THE BACKBONE

Once content is connected, the next challenge is structure. Folders are rigid and inconsistent, making search and governance a nightmare.

The answer is metadata. Metadata captures business context through contextual tags like client, project, document type, or regulatory status to transform files into connected business objects. When applied automatically and consistently, metadata transforms static files into dynamic, searchable assets. It's the foundation for governance, automation, and AI-driven insights.



3. END VERSION CHAOS

Without control, collaboration breeds confusion: multiple copies, conflicting edits, and endless *"final_v7_FINAL"* files.

A modern DMS eliminates this chaos by enforcing a **single source of truth**. Version history and canonical links ensure everyone works from the same authoritative file, reducing errors and restoring confidence in the content.



4. SEARCH BY MEANING, NOT LOCATION

Even the best content is useless if people can't find it. Traditional folder-based search forces users to remember where something lives—a frustrating, time-consuming process.

Modern systems flip the script. Folders demand memory; metadata enables intelligence. Instead of guessing locations, users search by context—filtering by project, client, or status—to find what they need instantly across all connected systems. It's search that works the way people think, not the way folders are structured.



5. AUTOMATE GOVERNANCE

Compliance and security can't be left to chance—or to manual effort. Policies like retention, access, and sensitivity need to be applied consistently, everywhere.

A next-gen DMS makes this automatic. Governance becomes an invisible safety net, not a burden on employees. The system enforces the rules so people can focus on work, not worry about compliance.



6. EMBED INTO DAILY WORKFLOWS

Even the smartest system fails if no one uses it—and adoption depends on convenience.

That's why a modern DMS must live where people work—in email, chat, and mobile apps. One click "save with context" replaces shadow IT and makes the governed way the easiest way. When compliance feels effortless, adoption soars.

Together, these capabilities shift document management from passive storage to a performance advantage.

MODERNIZE YOUR DMS WITHOUT DISRUPTION

Digital transformation isn't only about the destination—it's about making the journey smooth. For many teams, legacy document systems aren't just "old tech." They're woven into everyday work, processes, and compliance. The real challenge isn't change itself, it's changing without chaos.

The best modernization efforts don't start with a rip-and-replace. They start with coexistence, respecting what works today while quietly upgrading what doesn't. Done right, users barely notice the shift, but the business feels the lift.

Here's how forward-thinking organizations are modernizing document management—without breaking what people rely on.



1. CONNECT FIRST. MIGRATE SECOND.

You don't need to jump off a cliff to transform. Start by connecting to what you already use—email, file shares, SharePoint, ERP—before you move anything.

This "connect-first" approach lets people keep working in familiar tools while the platform adds the good stuff in the background: better tags, clear policies, and helpful automation. It's modernization by stealth, not by force—so adoption sticks. This approach reduces operational friction, improving governance and AI readiness before a full migration even begins.



2. MAKE MIGRATION A REPEATABLE PLAYBOOK

Migration isn't a moment; it's a managed process.

Look for a DMS that supports a "migration factory" model—one that can clean up duplicates, set the right access automatically, and classify content at scale. Most importantly, it should preserve links, so nothing breaks in your processes. This isn't just cleanup, it's continuity.



3. GO NATIVE WITH MICROSOFT 365

In a Microsoft-first world, the experience must feel native.

Choose a DMS that treats your content like a first-class citizen in Microsoft 365—so your teams can co author, store in SharePoint, and use Copilot naturally. Then layer on what Microsoft doesn't provide out of the box: richer metadata, industry workflows, and stronger controls. You get the best of both worlds: familiar user experience with enterprise-grade governance.



4. PROVE IT IN REGULATED, REAL-WORLD ENVIRONMENTS

Modernization isn't theoretical. It must work under pressure.

Prioritize platforms proven in complex industries—manufacturing, life sciences, engineering, financial services. Features like audit trails, e signatures, traceability, and automated handoffs aren't just nice-to-haves. They're proof that you can meet compliance while moving faster, at scale.

WHY THIS UNLOCKS AI (AND WHY YOUR LEGACY DMS MAY BE BLOCKING IT)

AI thrives not just on access to content, but on trusted, contextualized content. Legacy systems often bury documents, hide context, or lock data in silos—making AI less useful or even unusable. Modernizing how content is connected, tagged, and governed is the easiest way to turn AI from a promise into everyday value.

The next section explores how M-Files revolutionizes the way teams work—by eliminating information sprawl, enabling intelligent automation, and delivering a seamless, user-centric experience that aligns with how people work.

MEET M-FILES: BUILT FOR AI, READY FOR PERFORMANCE

M-Files isn't just another document management system, it's the foundation for **Context-First Document Management**, built to eliminate operational friction and unlock a true performance advantage. Instead of organizing by location or folders, M-Files captures the **context and relationships** around your documents, who they're for, what process they support, and how they connect across your business. The result? A connected, living system that powers decision velocity, compliance integrity, and AI-ready productivity.

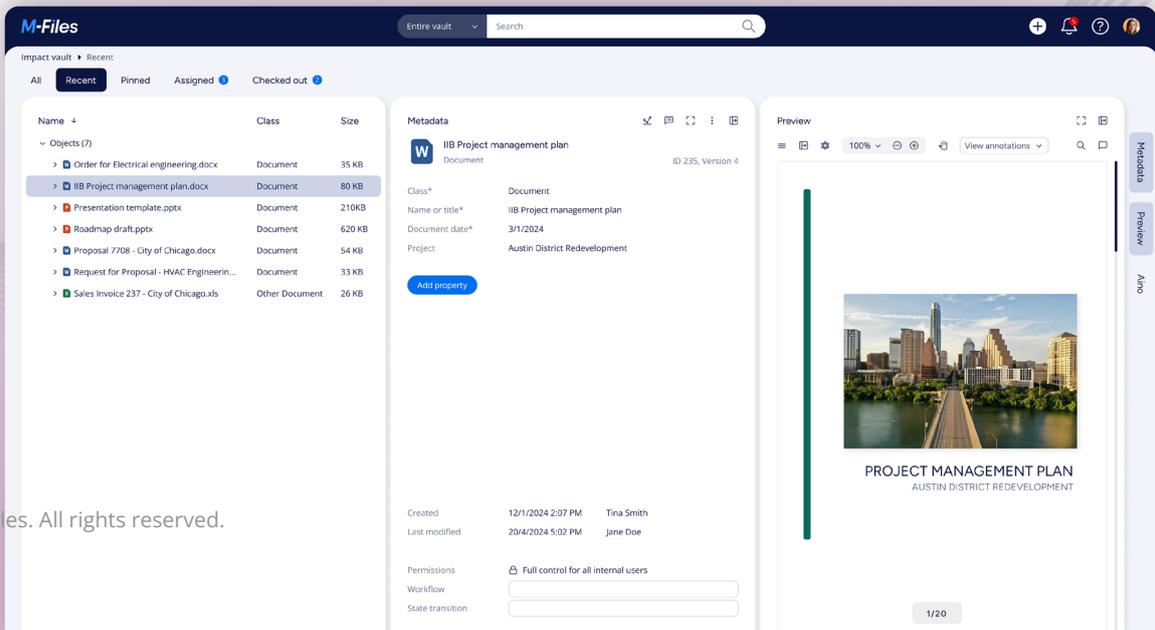
With M-Files, organizations can:

- **Find by meaning, not location.** Search by client, project, or status, across all repositories, and instantly surface the right information in context.
- **Collaborate with confidence.** One version, one source of truth. Teams co-author and share seamlessly across Microsoft 365, without duplication or confusion.
- **Automate governance.** Retention, permissions, and sensitivity policies are applied automatically, ensuring business integrity without adding user burden.

- **Fuel trusted AI.** Context-rich, well-classified documents give tools like Microsoft Copilot and Aino the intelligence they need to reason accurately, securely, and responsibly.
- **Work where you already are.** Embedded in Teams, Outlook, and SharePoint, M-Files brings automation, compliance, and context directly into familiar tools.

Customers adopting M-Files report measurable impact: faster decisions, reduced search time, fewer compliance risks, and accelerated ROI. A Forrester TEI study found a **294 % ROI over three years**, including a 50 % cut in document search time, 65 % faster filing, and 70% faster workflows.

Bottom line: M-Files turns disconnected content into a connected network of knowledge, a foundation for trusted AI, resilient governance, and the pace of modern business.



REVOLUTIONIZING WORK: THE MICROSOFT & M FILES PARTNERSHIP

WHY NOW

As document volumes explode and AI adoption accelerates, organizations face rising complexity, compliance risk, and information sprawl. Fragmented repositories and manual processes slow down decisions and limit AI potential. The answer is a unified, context-driven approach to collaboration, search, and governance — at scale.

WHY THIS PARTNERSHIP

Microsoft 365 is the collaboration backbone for modern work, but it wasn't built to capture context or manage document governance across an enterprise. That's where M-Files comes in. Together, **M-Files and Microsoft** deliver a **context-first foundation for intelligent work**:

- **Microsoft's strengths:** Best-in-class collaboration, security, and compliance with Office apps, Teams, and Purview.
- **M-Files' advantage:** Context-driven organization, automated governance, and AI-ready structure.

M-Files is the first context-first solution to natively store content in Microsoft 365 (via SharePoint Embedded). That means no connectors, no duplication, just one trusted content set governed and ready for AI.

THE SOLUTION: A BETTER WAY TO WORK

This partnership gives organizations a single foundation for:

- **Unified collaboration:** Work in Teams and Outlook while M-Files keeps everything connected and current.
- **Enterprise-wide search:** Find content by meaning and context across all repositories.
- **Built-in governance:** Apply retention and compliance rules once — enforced everywhere.
- **AI you can trust:** Context-rich content feeds Copilot and Aino for reliable, accurate insights.

THE OUTCOME

With **M-Files + Microsoft 365**, enterprises gain a clear performance advantage, faster collaboration, simpler compliance, and AI that actually works. This is more than modernization, it's a context-first foundation for the future of work.

“We chose M-Files because of their impressive technology and strong foundation for AI innovation and integrations with Microsoft 365,”

“The ability to use native Microsoft 365 capabilities in M-Files makes M-Files even more valuable to us now and in the future. We are confident that we have made the right choice and will continue to use M-Files and Microsoft together to drive our business forward.”

Adrian Logan

Head of Digital Transformation
at PKF Francis Clark

HOW M FILES & MICROSOFT 365 DIFFER FROM LEGACY SYSTEMS

Legacy systems isolate information and slow down innovation. M-Files takes a different approach: it stores content directly in Microsoft 365, unifying control, co-authoring, and governance in one secure framework. No middleware, no duplication; just a connected, trusted system that operates at enterprise scale.

M-Files supercharges **Microsoft Purview** by automating classification, sensitivity labeling, and retention policies, even when Microsoft's native rules aren't fully configured. With region-specific processing (US/EU/AU) and encryption at rest and in transit, M-Files ensures data integrity and compliance with GDPR, HIPAA, ISO, and other regulations.

The result: one AI-ready information ecosystem that strengthens security, streamlines compliance, and eliminates the manual burden of traditional systems.



THE CLEAR CHOICE FOR MICROSOFT 365 USERS

For businesses standardizing on Microsoft 365, M-Files is the natural extension of that investment. It amplifies Microsoft's capabilities with context-first automation, AI-ready governance, and seamless integration, all while keeping users in their familiar workspace.

Because M-Files stores content natively in your Microsoft tenant, you retain a single source of truth while easily enabling Copilot through the M-Files Connector, honoring permissions and ensuring every AI response is grounded in trusted context.

Procurement is simple through the **Microsoft Azure Marketplace**, supporting MACC agreements and accelerating deployment. Together, M-Files and Microsoft help organizations standardize, simplify, and future-proof their information strategies.

ARCHITECTED FOR AI - *BUILT FOR WHAT'S NEXT*

The future of work demands more than digital storage. It demands Context-First Document Management that turns information into a strategic advantage.

Legacy systems rely on manual processes and static files that fragment work and undermine AI initiatives. M-Files changes that by capturing context and automating document-driven processes to deliver trusted, AI-ready content.

With metadata-driven architecture and deep integration with Microsoft 365, M-Files builds a living network of information where data is governed, compliant, and ready for AI innovation.

For organizations ready to move beyond chaos, M-Files offers a clear path forward: connect first, automate intelligently, and scale securely.

The result is a performance advantage that drives decision velocity, strengthens compliance, and unlocks human and AI potential together.

The age of context-first content management has arrived and with M-Files, your documents are ready for it.

“We’re ready to implement this now. This will give us so much more value for our Copilot investment.”

Senior Service Manager for ECM

Global Technology & Services Company





For more information, visit m-files.com

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