

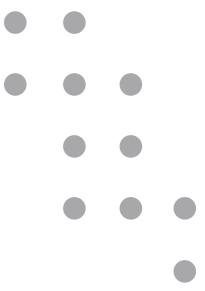
The future of legal work?

The use of Generative AI by legal departments

Executive Summary: Our perspectives and the results from our Generative AI survey for corporate legal departments



Executive summary



Generative AI is increasingly a top organizational priority for business leaders across industry sectors. A recent Deloitte survey of CEOs found that a majority (79%) expect Generative AI to transform their organizations within three years.¹ Business expectations are that corporate legal departments are part of this transformation—both through adopting Generative AI technology in the delivery of legal services and enabling the business to adopt this new technology at pace, safely and ethically.

However, despite the transformative promise of 'legal tech' over recent years, the work of the legal function has remained largely unchanged. Legal technology solutions have delivered only incremental improvement. At Deloitte Legal, we are convinced that Generative AI is a technology of much greater consequence than we have seen so

far. We believe it has the potential to drive genuine, sustainable change in the way legal services are received and delivered.

We wanted to test this hypothesis with our clients—to understand their perspective on Generative AI, the benefits it can deliver, the barriers to adoption, and their predictions as to how the technology will change the legal ecosystem. This was the context for our Deloitte Legal survey: "The future of legal work? The use of Generative AI by legal departments". We took the views of senior legal leadership at 43 of our closest and largest clients. We summarize the key findings in this executive summary. The full survey report that follows presents our clients' views alongside our own market insights on the future of legal work combined with our practical experience of using this technology internally and with our clients.

"The impact on legal will be seismic. This is a once in a generation opportunity."

—Richard Punt, Deloitte Legal Global Leader

¹ [State of Generative AI in the Enterprise 2024 | Deloitte US](#)

Our report explores five areas:

1 The impact

A once in a generation step change in productivity

Our clients are bullish about the technology's impact for corporate legal departments. **79% of our respondents believe that Generative AI will have a moderate to significant long-term impact on how legal work is performed.** This percentage is particularly striking given the immaturity of this technology, which has been available commercially for less than 2 years.

Almost half of our clients go further, predicting that **Generative AI will render some legal tasks entirely obsolete**.

Our survey highlights the most impacted legal practice areas are contracts, legal operations (including knowledge management, spend management, document review and eDiscovery), M&A and regulatory compliance.

2 The benefits

More than just efficiency, GenAI will enhance the legal experience and unlock altogether new capabilities

Generative AI benefits for corporate legal departments sit across three core areas:

- Efficiency**—Respondents overwhelmingly scored efficiency and productivity gains as the biggest anticipated benefit from this technology. This supports our own experience at Deloitte where we have seen efficiencies of 25–50% across a broad range of legal use cases.
- Experience**—Two thirds of our survey respondents anticipate an improved experience for Legal team's business customers through Generative AI. A similar proportion expect an improved employee experience for in-house legal

professionals. We see this as a positive impact of productivity gains where in-house lawyers will have more time to focus on more strategic, interesting and impactful work.

- Capability**—Generative AI provides opportunities to improve legal service delivery, either by elevating the quality of legal work or by enabling the legal department to offer entirely new services and insights to the business. Better access to, and insight from, legal and business data will enable more data led decision making and more proactive risk management by Legal teams. Anticipated benefits from survey respondents were slightly lower for this category, reflecting the renewed focus now needed on good data management and the longer timeframe expected before we see these benefits scale more broadly.

Whilst this technology is still in its infancy, benefits can be realized today. In our report, we have included Deloitte case studies that illustrate these benefits across a range of Generative AI use cases including contract review for regulatory compliance, eDiscovery, M&A due diligence, IP value leakage prevention, service schedule generation and contracts simplification.

3 The legal ecosystem

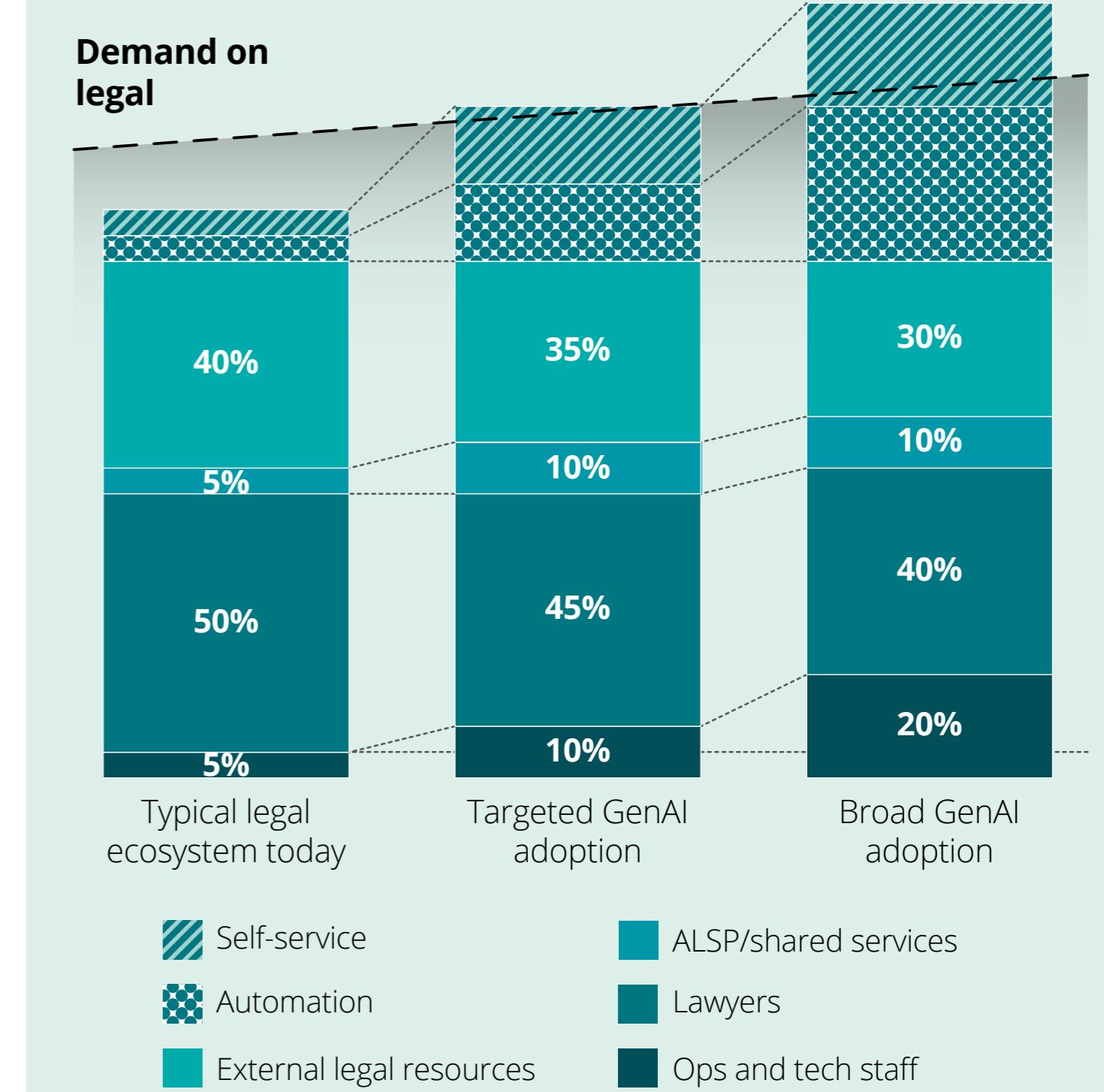
GenAI will drive a fundamental shift in the legal workforce and the in-house/external mix

Whilst there has been a lot of focus in the industry on Generative AI use cases, we believe more focus is needed on the longer term impact on the future shape of corporate legal departments. 46% of survey respondents expect the Legal department will stay the same size, but with meaningful changes in composition, seniority and skillsets. We expect a number of key changes in how legal work is delivered that support this view:

- Increased business self-service and automation**, freeing up in-house team time and capacity to **meet increases in future business demand without increasing headcount**.

- More strategic deployment of in-house lawyers driving reduced reliance on external counsel** (and associated reductions in cost).
- Short to medium term increase in the use of shared service capabilities/alternative legal service providers (ALSPs)** where those providers are early adopters of Generative AI and pass on these benefits to in-house legal teams.

Changing composition of the workforce and in house/external mix presents a cost efficiency opportunity of 20–30%



- **An increase in operational, technology and change skillsets and capabilities** to implement these changes. Lawyers will need to develop new skills to work with this technology on a daily basis, and new specialist capabilities will be required in Legal Operations such as data scientists, prompt engineering and AI solution architects. An increased investment in change management and driving adoption will also be critical.

We see these shifts providing a positive and exciting future for corporate legal teams. In-house lawyers will finally be empowered to focus on more strategic and interesting work, to provide greater data-driven insight, and drive business growth through accelerated and more agile support. Together, we see these changes bringing about a cost efficiency opportunity in the region of 20-30%. We explore what this theme means for General Counsel and CXO leaders in our deep dive: the CXO choice.

4 The adoption journey

Despite some hurdles to overcome, Legal should be a priority area for Generative AI investment

The most significant barriers to adoption of Generative AI identified in our survey are investment related: financial and resource limitations, and challenges with developing a compelling business case. The role of corporate legal teams in advising the business on how to adopt Generative AI safely and

ethically is a critical enabler and accelerator for organizational adoption at scale.

Combined with the legal department being a high impact, high opportunity area for use of Generative AI, this provides a real opportunity for corporate legal teams to be higher up the priority list for investment than has historically been the case for GCs. Our survey respondents see Generative AI funding coming from two different sources—both Legal functional budgets and enterprise wide AI investments—highlighting the importance of influencing internally to access these budgets.

5 The impact on external providers and law firms

New competitive advantage is set to shake up the landscape, for the better

Law firm and client relationships are set to be redrawn as Generative AI becomes more widely adopted. Our survey shows that corporate legal departments are not currently getting value from their external law firms' use of Generative AI: only **6% of respondents report direct benefits, such as cost savings, from law firm use of the technology**. Law firms should take note: clients have high expectations of increased value if Generative AI is adopted. **73% of respondents expect to see a reduction in cost from law firm use of Generative AI, and 70% expect faster turnaround time**.

Although expectations are raised, clients' confidence in their external lawyers' ability to use the technology to enhance the client service experience are low: **enhanced service from law firms ranks lowest in the list of benefits that GCs expect from Generative AI**. This is an opportunity for a robust conversation between law firm and client. Corporate legal departments should not just ask their external law firms how they are using Generative AI, but specifically what benefits they can expect to receive. The winning law firms will likely be those that move beyond 'innovation theatre' to demonstrating and delivering measurable pass-through benefits in the form of reduced time and cost, or increased value, quality and insight.

ALSPs are particularly ripe for Generative AI automation given the typical nature of scaled, repeatable, standardized work. ALSPs will need to adopt this technology quickly to remain competitive, with the potential for new technology-focused entrants to quickly gain ground on established players.

Clients anticipate that external partners will play a critical role in Generative AI adoption: **almost 7 in 10 are expecting to partner with external firms in the next 6 months** to run GenAI proofs of concept. First movers who partner to pass on the value Generative AI brings will benefit from real competitive advantage.

What are the practical next steps for legal departments?

76% of our respondents report no current adoption of the technology, but 86% expect targeted or broad adoption within 2-3 years. To achieve this level of adoption in this timeframe, legal leaders need to take swift positive action.

We see five key steps that every proactive legal department should take now:

+ Put governance in place for the use of AI

The General Counsel has a unique dual role in relation to Generative AI; as the guardian of its safe introduction into the business, and in using the technology to improve legal service delivery. The legal department can play a leading role, working closely with risk, IT, data, HR and other corporate functions, to establish governance and risk frameworks for Generative AI's safe and ethical use. This is an opportunity for the legal department to both enable board-level strategic priorities for the business and accelerate business growth, whilst also building confidence in adoption within the legal department.

+ Demystify Generative AI and drive buy-in by putting it into lawyers' hands

It is only through using the technology that lawyers can identify how it can best be applied to meet the needs of their legal team and wider business. Legal teams should be given access to Generative AI tools to experiment and learn through targeted proofs of concept. Ongoing focus is needed on training, feedback, best practice sharing and adoption to move the department forward collectively. Legal leadership teams

should not be exempt from this and must visibly lead from the front. Whilst they don't need to be experts, they should have a foundational understanding of the technology and its impact, proactively sharing learnings. This enables leadership to set a positive vision for the future and more effectively support their teams to navigate through inevitable change.

+ Evaluate and prioritize use cases, and then develop/refresh your digital roadmap

Legal teams should start to identify and evaluate use cases with light touch governance. As priority use cases emerge, legal departments should dispassionately re-appraise (or develop) their digital roadmaps, assessing the extent to which current technologies have the capabilities to meet their needs. To do this effectively, legal departments must understand both the organizational technology landscape and what enterprise tooling may be available, as well as the legal technology market to understand the art of the possible. Regular market scans have never been more important given the step-change in capability that Generative AI provides and the pace of development. Lean on external partners to support these endeavors: they bring vital external perspectives and methodologies that will be increasingly important as corporate functions compete for investment.

+ Focus on data hygiene and clean up

Identify the data that is critical for solving your business problems. This could be data in your document repositories, from the wider business, external market data or data from external law firms. Test Generative AI's ability to extract insight from this data and identify what data improvements are needed to leverage Generative AI in the future and begin actioning them e.g., storing of key documents in

strategic repositories, changing processes so that key data and documents are captured and stored in the right place every time, and data clean up to make data useable. Use Generative AI to make data clean up exercises easier and more cost effective.

+ Plan for the longer-term

With Generative AI evolving at such a rapid pace, long-term planning can feel very challenging. However, **it is important for leaders to consider the strategic implications of the technology on the wider business, the internal workings of your legal department, and on your external partners.** We suggest focusing, initially, on:

- **The business:** actively seek out and engage with CXOs and other executive leadership to shape the strategic direction of the business in the age of Generative AI, enabling commercial benefits to be realized safely. General Counsels should use this understanding to inform their long-term departmental planning.
- **Your legal team:** map the skills you have now, the skills you may need in the future and your plan to train or recruit to close the gap. Make sensible assumptions about the impact of Generative AI on resource mix and numbers, guided by the wider business strategy.
- **Your external providers:** Engage with law firms and ALSPs on how they plan to use Generative AI and pass on these benefits. Build this into commercial decision making and preferred panel requirements. Consider how your in source/external mix will change over time and how you can adjust your mix of external providers to realize GenAI benefits earlier.

Postscript: What comes next?

Our clients find great value in learning how their peers across different industries are using Generative AI. Our Deloitte Legal Generative AI client forum provides a regular opportunity to do this, bringing clients together in a confidential space to exchange challenges and success stories about their experiences of using Generative AI. Our survey formalizes some of these insights, giving us a window into where our clients are now with Generative AI, and how they expect to use it in the future. However, surveys are only a snapshot: the technology is evolving month by month, and what is true today will not be true tomorrow. Corporate legal departments must keep one eye on their peers, and the other on the future.

We will continue to share our insights about Generative AI for the Legal Function. We would also be happy to hear from corporate legal departments that would like to know more about our Generative AI client forum.

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Methodology note

Deloitte Legal surveyed 43 individuals between February and March 2024, via an online questionnaire with a structured set of questions covering the impact of Generative AI on corporate legal departments. Respondents were senior legal leaders in their organization and included General Counsels, Heads of Legal, Legal Operations Directors and Managing Legal Counsels.

The survey sample included responses across industries including Financial Services, Consumer, TMT, ER&I and Life Sciences & Healthcare. The survey sample also covered the spectrum of law department sizes, including responses from law departments with below 25 FTE to over 200 FTE, with representation from the US, Europe and the UK.



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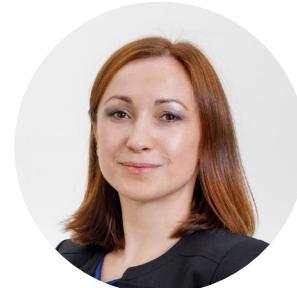
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