



The AI imperative: Reshaping of the legal industry

AI Survey Publication

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Foreword

Two years ago, we set out to test a hypothesis that AI was not simply another incremental technology, but a force capable of driving genuine, sustainable transformation in the delivery of legal services.

Two years on from that baseline, expectations on AI's impact have continued to mature. The debate has moved. It has moved from speculation to ROI, from pilots to driving value, and from whether this technology will reshape legal work to how quickly those leading that reshaping will pull ahead of those who have yet to begin.

The AI imperative is here. At Deloitte, we are fortunate to sit at the intersection of this transformation, working daily with legal leaders from legal departments and law firms who are navigating these changes in real time. This report brings together their experiences and the findings of our 2026 survey, the most comprehensive data we have gathered on AI in the legal sector to date.

The title of this report 'The AI Imperative: Reshaping of the Legal Industry' reflects what our data and our client conversations tell us with increasing clarity – acting is no longer optional, and acting well has never been more consequential.

Deloitte, in partnership with RSGI, engaged across the legal industry by formally surveying over 100 Legal department leaders, informally interviewing a number of law firm leaders, as well as consulting representatives from academia and research and legal technology ecosystem – to assess the strategic implications of AI for legal industry leaders.

The business case has largely been made. Attention is now turning to the question of how best to execute and ensure that the investment being made translates into meaningful, measurable value. Our report sets out where the

legal industry stands today; the progress made, the gaps that remain, and the opportunities available to those prepared to move decisively. We have set out our view on the future direction of travel and practical steps leaders can be taking to navigate this transformative period for the industry.

We are deeply grateful to the senior legal leaders who gave their time and candour to this report, and to the broader community of clients and colleagues whose insights shape our thinking every day. We hope this report serves as both a mirror and a compass, reflecting where the industry is, and pointing clearly towards where the most effective legal teams are headed.



Richard Punt
Deloitte Legal Global Leader

Executive Summary

For most senior leaders, the question regarding AI is no longer whether to act but whether they are moving quickly enough. The pace of change makes that urgency plain; in our 2024 survey, **76%** of respondents reported no current AI adoption. Today, **61% are in active deployment and only 2% report no adoption at all**. Yet our data equally points to a persistent gap between the scale of the opportunity and the pace at which organisations are capturing it. What emerges clearly from our survey is that **respondents are at markedly different stages of the AI journey**. Some are still laying the foundations; others have moved into scaling deployment and are beginning to reshape how their legal functions operate at a structural level. This spread, far from being incidental, reflects the choices organisations have made about the building blocks to effective

and sustainable AI transformation. It also means the questions and challenges facing legal leaders, both Legal departments and at Law firms, differ substantially depending on where they stand in their AI journey. It is that variation, and what it reveals about how to navigate the journey ahead, that this survey sets out to explore.

Our 2026 AI Survey draws on responses from 100+ senior legal leaders, including General Counsels, Heads of Legal, and Legal Operations Directors, across nine industry sectors and four regions, supplemented by qualitative interviews by Deloitte with law firm leaders. The survey was distributed to legal departments with the support of RSGI; the analysis and commentary in this report are Deloitte's own.

Our report explores five areas



1. The rise of AI investment: Spend in technology dominates, but lags in people, process redesign and knowledge.

AI investment is increasing significantly. 79% of legal departments have increased AI spend year on year, with an average budget increase of 67%. The industry has shifted from “*should we invest?*” to “*how and where do we invest?*”.

However, the focus of investment is striking. **Technology and infrastructure attracts the highest share of spending (67% highest investment area)**, with more weighting to buying third party solutions (62%) vs building in house (38%). **Training, transformation (including process redesign and new ways of working), data and knowledge ranks considerably lower.**

The gap extends beyond investment balance. **While more mature organisations are more likely to have a formalised AI strategy in place (64%), many organisations overall do not.** Governance frameworks are more widely established, but quality assurance (QA) remains lacking with **defined QA frameworks in place for only 24% of all respondents**. The legal functions realising the greatest value from AI are treating **transformation as a first-order priority** with protected budget, clear ownership and not as an afterthought once technology is in place. The most important investment decision for legal leaders, whether Legal departments or at Law firms, is not which platform to procure. It is ensuring the full balanced portfolio of investment across technology, people, data and transformation.



2. Adoption and increasing expectations for ROI: Whilst adoption grows rapidly, the most valuable gains are still largely ahead.

AI adoption has accelerated sharply. **71% of respondents have moved beyond no adoption, piloting and experimentation into initial, scaling or fully embedded deployment.**

Compared to 76% no adoption in 2024, this pace of change over two years is remarkable for the legal industry.

Most adoption is seen in contracts & commercial, legal operations and regulatory compliance. Notably there is strong adoption across all practice areas which highlights how applicable AI capabilities are to all areas of legal work.

The benefits focus is most prominent on productivity gains and reducing costs of legal work, reflecting the CEO/CFO expectation on General Counsels and the need to demonstrate ROI. Insourcing of work from external counsel continues to grow (**66%** of all respondents report this as a priority). Increasing business self service is also a top priority.

Delivery of AI benefits remains at an early stage, with the most significant value still to come. Future expectations remain strong – **28% of legal work is expected to be automated in the next 2-3 years.** There is growing focus on AI delivering new capabilities and improving the quality of legal work which in our view is where the most exciting opportunities lie for legal teams. Examples include:

- **More data led decision making** – Providing better legal advice using AI gathered insights on previous legal opinions, precedent, transaction or contractual documentation.

- **Improved risk management** – Reviewing all documents rather than a sample, for example in a corporate transaction due diligence context, to provide broader risk coverage.
- **Predictive analytics and scenario modelling** – Improving litigation decisioning and outcomes.

Agentic AI (that is, AI systems that can pursue multi-step goals autonomously) presents a step change in capabilities to accelerate delivery of benefits. **61% of respondents report their legal departments are already experimenting with or piloting agentic AI.**



3. The impact of AI on roles, skills, and careers: Fundamental change is expected, but most organisations have yet to plan for it.

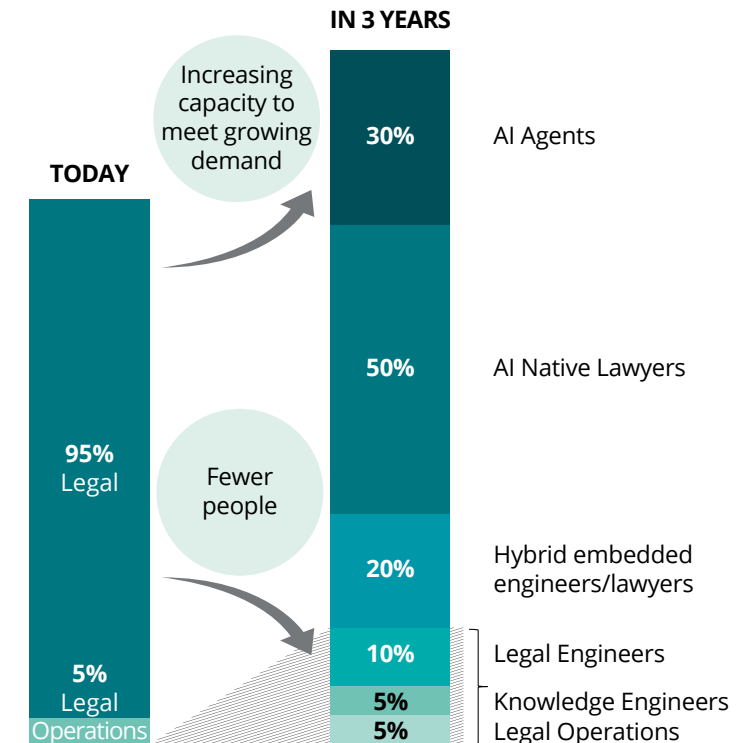
Expectations are increasing of fundamental shifts in the legal workforce. 58% of General Counsels expect teams to stay broadly the same size but **materially shift in composition, seniority, and skills.** The proportion expecting smaller teams has doubled to 20% compared to our 2024 report, most commonly in cost-focused sectors like Technology and Financial Services. Amongst those expecting compositional change, the leading drivers are:

- A **shift towards more strategic legal work.**
- A **more senior team profile**, reflecting the more complex work remaining as much of the routine work is increasingly supported by AI.
- The need for **different skillsets such as legal engineers.**

The skills landscape is shifting decisively – **Technology and AI literacy, and adaptability are rated the most important capabilities** for future legal professionals.

Yet 84% of organisations have not yet redesigned roles around AI¹, and the skills gaps remain the most cited barrier to effective adoption. Leading organisations are developing workforce of the future plans incorporating AI, including new roles like legal engineering, changing competencies, incentives, reward and learning and career pathways.

Changing composition of the legal team over the next 3-5 years



1. [The State of AI in the Enterprise - 2026 AI report | Deloitte UK](#)



4. The changing relationship between legal department and provider: The commercial model will be fundamentally renegotiated, though the pace of change is slow

Law firm and client relationships are set to be redrawn as AI becomes more widely adopted. Legal departments' priorities are clear from their providers – **reduction in costs (78%) followed by improved quality of legal services (57%) are the most desired benefits from AI.**

Pricing disruption is expected. **85% of respondents believe AI will change how law firms price work** to a moderate, large, or very large extent, with the **share of hourly-rate work expected to fall from 72% today to 44% within 2-3 years.** The commercial opportunity is substantial for General Counsels: **external legal spend could reduce by 20–40% over the next 3 years** through collaborating with outside counsel to capture AI benefits and insourcing.

Despite these rising expectations, progress is slow. **58% of General Counsels say their external providers rarely or never proactively discuss AI benefits with them, with just 4% having directly experienced benefits from providers' use of AI.**

We see **leading legal departments being more deliberate in initiating change with providers** by incorporating AI expectations into panel, tendering and evaluation criteria, incentivising firms that shift their pricing approach, performing spend analytics reviews to estimate impact of AI on future work and updating billing guidelines, and co-development with providers.

Law firms that take the initiative – framing benefit sharing as a collaborative conversation, bringing clients into the deployment process, and demonstrating pricing transparency alongside wider service improvements through AI – are best-placed to retain and deepen client relationships, and differentiate themselves in the market.



5. The AI transformation roadmap: Moving from incremental gains to delivering on the AI promise at scale

Taken together, our findings describe a legal industry increasingly investing in AI but still in the early stages of capturing the full value. Investment is predominantly technology focused, focus on legal workforce changes has been limited, and whilst legal functions expect significant benefits from their external providers' use of AI, few are yet to drive this proactively.

AI offers General Counsels and law firm leaders the ability to deliver better outcomes for the businesses they serve by:

- Bringing new analytical and data-driven insight that today's model cannot provide at scale;
- Managing risk across a far greater breadth and depth;
- Fundamentally reshaping the cost of legal delivery; and
- Offering their people more rewarding and substantive career experiences than the profession has historically been able to provide.

This requires a comprehensive transformation approach that redesigns legal service delivery and the operating model around it, not just overlaying AI onto existing ways of working.

The legal teams **leading AI transformation share common best practices.** They invest in the essential foundations such as improving knowledge management and data quality. They take a human-centred approach, treating people and process as seriously as technology. They mandate AI fluency across their teams, making capability-building non-negotiable. Critically, they go beyond efficiency gains and fundamentally redesign their business models. And throughout, they communicate with clarity to their teams on their AI transformation journeys and what is expected of them².

We see those organisations following a broadly consistent journey to AI transformation through three stages: Foundations, Embedding, and Scaling. **Our roadmap (see next page) outlines the three stages, setting out the building blocks required at each point in the journey and the sequencing that ensures successful transformation.** Overarching, leadership are setting the direction on short-, medium- and long-term priorities, ensuring balanced investment across these areas, creating the culture for change and dedicating sufficient time for oversight and steering.



Taken together, our findings describe a legal industry increasingly investing in AI but still in the early stages of capturing the full value.

2. [AI ROI: The paradox of rising investment and elusive returns](#)

How we are helping legal teams

- **A maturity assessment against our AI transformation roadmap framework.**
- **Development of an AI strategy, business case and transformation roadmap.**
- **Legal engineering support to redesign legal processes, build AI workflows and agents, establish QA frameworks.**
- **Workforce of the future assessment and planning.**
- **Implementation support across** a broad range of areas including data and knowledge foundational improvements, project management, change management and AI governance and risk management.

We will also be running a series of events and webinars throughout 2026 exploring different themes from the publication, including client and expert perspectives from the industry.

The AI Transformation Roadmap

	Foundations	Embedding	Scaling
 Strategy	AI strategy, business case, roadmap	Practice area re-engineering	Strategic response to market shifts
	Leadership buy in	In-sourcing	Re-imagined legal solutions
 People	AI literacy and upskilling	Workforce of the future planning	Re-shaped AI centred workforce
	Champions network	Invest in new roles	Continuous learning & adaptability
 Technology and data	Core technology platforms	Integrations & pilot agentic	Agentic AI scaling & operations mgt
	Data & knowledge foundations	Embedded knowledge in AI use cases	Predictive analytics & risk intelligence
 External providers	AI expectations set	Pricing shifts & spend analytics	Re-aligned incentives around outcomes
	Selection considers AI benefits	Collaboration model shifts	New, differentiated AI legal services
 Risk & governance	AI governance & guardrails	Use case level QA governance embedded	Agentic governance scaled
	AI steering committee	Agentic governance piloted	AI legal advice direct to clients



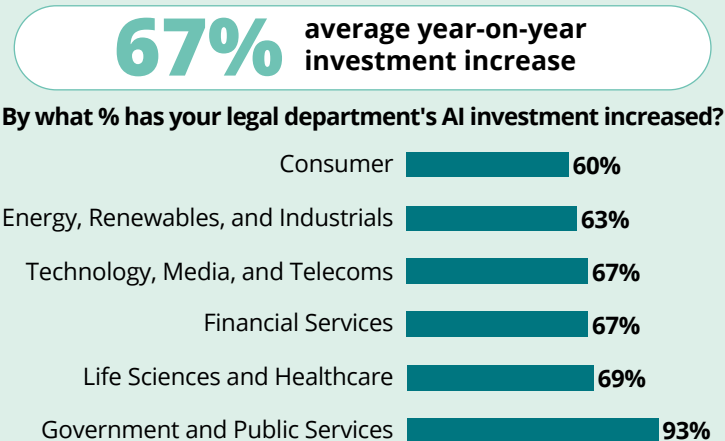
Section 1: The rise of AI investment

Investment is rising and rapidly

79% of legal departments report their **AI investment** has **increased** compared to the previous year. AI budgets have grown by an average of **67% year-on-year** for those reporting an increase.

This signals that the business case for AI in legal has been made. A growing body of pilot data, proven industry experience and enterprise-wide AI mandates has strengthened the case for investment. The industry has shifted from “*should we invest?*” to “*how and where do we invest?*”.

Figure 1: AI Investment average YOY growth



Investment increases are being seen broadly across all industries. Government and Public Sector are seeing the sharpest uplift (**93%**), followed by Life Sciences and Healthcare (**69%**) and Financial Services (**67%**).

Technology investment leads while Transformation lags

Understanding where legal has been directing AI investment reveals something important about the risks that lie ahead.

Technology and Infrastructure (covering licences, subscriptions, storage and security) was ranked the highest investment area by **67% of respondents**. **Data and Knowledge Management ranks second** (ranked first and second by 50% respondents). In contrast, **Training** and **Transformation** covering adoption, process redesign and new ways of working was placed third and fourth.

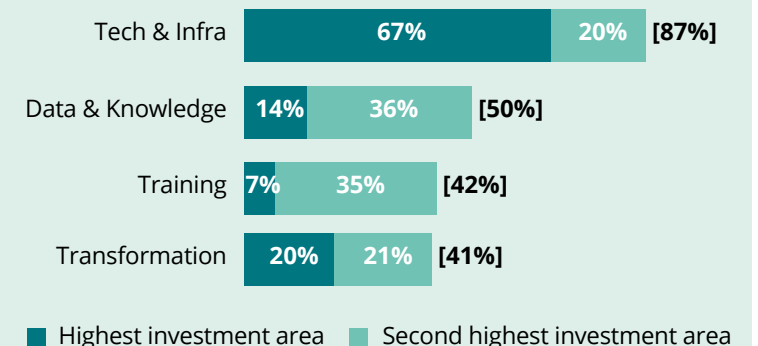
This weighted investment focus to Technology and Infrastructure was consistent across early-stage and more mature legal departments. As one General Counsel in Financial Services observed “*The technology is ahead of the organisation. We have tools that our lawyers aren't yet fully using, and processes that haven't been redesigned to take advantage of them.*”

Transformation investment drives benefits at scale

Large-scale technology transformations fail most frequently not due to technology choices, but because of insufficient investment in the people and cultural change required to embed new capabilities. Deloitte's State of AI in the Enterprise Report³ reflects the same finding: organisations that invest proportionately in transformation realise significantly greater returns.

The legal functions that will realise the greatest value from AI are treating Transformation as a first-order priority with protected budget, clear ownership and not as an afterthought once technology is in place. The most important investment decision for legal leaders, whether in Legal departments or in Law firms, is not which platform to procure - It is ensuring the full balanced portfolio of investment across technology, training, data and change.

Figure 2: Where AI Investment has been focused



The Building Blocks for an Effective AI Programme

Four interconnected building blocks detailed below are required to drive a sustainable AI transformation at scale.

**1. Strategy**

As one leader noted in the Deloitte State of AI in the Enterprise Report *“If there is no coherent AI strategy, you are likely to see pilot fatigue. Without a clear roadmap, executing a hundred pilots just leads to poor results and failed value creation.”*³ While many have a formalised department AI strategy (particularly mature organisations 64%), many organisations do not have this in place.

Defined KPIs and metrics are more common in mature organisations (56%), but only in place for 34% of respondents in total. Mature organisations also set out specific cost reduction targets as part of their AI strategy, moving beyond general efficiencies towards defined financial outcomes. A growing concern for organisations scaling AI is the cost of consumption, as token-based pricing models mean that increased usage drives up spend, organisations need a clear vision with outlined outcomes, benefits and visibility on AI cost and consumption governance as a key enabler for engaging teams, prioritising focus and decision making.

3. [The State of AI in the Enterprise – 2026 AI report | Deloitte UK](#)
4. High maturity organisations refer to organisations that indicated that they are in the ‘Fully embedded’ or ‘Scaling Deployment’ phase of their AI journey.

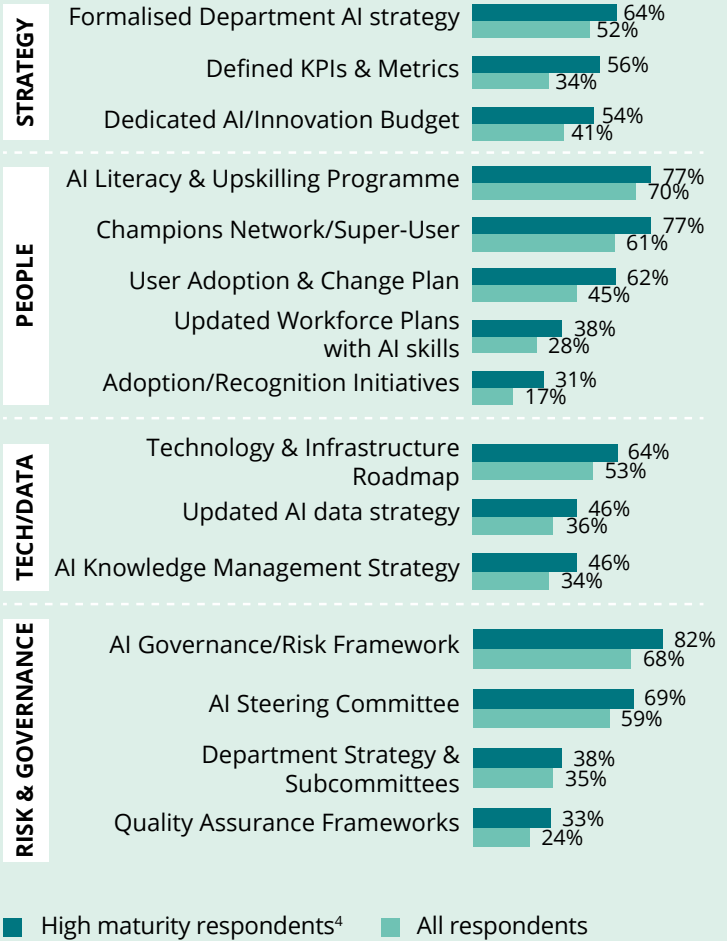
**2. People**

AI literacy programmes are in place for all organisations (70%), closely followed by Champions or Super-User Networks (61%). More comprehensive user adoption and change management plans are in place for 62% of high maturity organisations but less common for all respondents (45%). An emerging area less common but being brought increasingly into focus is redesigning the workforce with AI skills (28%) and incorporating adoption and recognition incentives into performance frameworks (17%). For organisations who have established the AI foundations, focus in these areas is becoming the next stage in driving more value from AI.

**3. Technology and Data**

While Technology and Infrastructure remains the dominant investment priority, a relatively low proportion of all respondents have a clear technology & infrastructure roadmap in place (53%). This potentially reflects organisations making point decisions on technology needs, rather than considering longer term technology phasing, including re-platforming of core platforms such as document management, matter management and eBilling to be AI-enabled and future-proof.

Figure 3: AI building blocks in place



Data and knowledge are increasingly being recognised as a critical foundational enabler to deliver higher value AI use cases. This includes investment in, and access to, key knowledge assets such as standards, templates, playbooks, legal opinions, transactional documents, combined with business data. AI data strategies are in place for 46% of high maturity organisations (vs. 36% of all respondents) with a similar position for knowledge management strategy. Ongoing governance and ownership for management of data and knowledge is also an area growing in focus.



4. Risk and Governance

AI governance and risk management frameworks are the strongest scoring enabler in place for 82% of high maturity organisations (vs. 68% of all respondents) reflecting the core foundations and guardrails established for many. The picture changes sharply on quality assurance. Defined QA frameworks for AI use cases are in place for only 33% of high maturity organisations (vs. 24% for all respondents) – the lowest-scoring component. This gap will matter more as use cases become more advanced through workflows and Agentic AI, thus carrying higher error costs. It will also be harder to embed quality checks and QA consistently across legal teams as AI usage continues scaling in its absence. We see this as an area requiring more focus from legal teams.

5. [The State of AI in the Enterprise – 2026 AI report | Deloitte UK](#)

From Process Optimisation to Business Reimagination

A trend across the Enterprise is the shift to process and business reimagination to drive greater value from AI. Among surveyed companies in Deloitte’s State of AI in the Enterprise Report⁵, 34% are using AI to transform their businesses by creating new products, reinventing core processes or changing business models. Another 30% are redesigning processes around AI, while 37% are using AI with little change to existing processes.⁶

We are already seeing legal teams being part of wider business reimagination projects to embed legal requirements into agentic business solutions through new product designs or marketing solutions. We are also seeing more legal teams undertaking comprehensive operating model reviews driven by learnings of early AI adoption. There remains further opportunity for more fundamental redesign of how legal business outcomes can be delivered.



Case Study 1 – How a Financial Services legal department developed an AI programme to deliver benefits at scale

AI was a strategic priority across the Enterprise. In partnership with Deloitte, the Legal department chose to lead from the front, establishing a holistic AI programme across several workstreams including: AI fluency, process, data, knowledge and technology solutions.

The Approach

- 1. A clear vision with business outcomes** – Leadership sponsorship to transform how the legal team works, accelerate impact, and position the organisation as an industry leader. Business outcomes were defined across efficiency, client and employee experience, and capability uplift.
- 2. Use case prioritisation** – Combining outside in industry perspectives with survey-based lawyer input, a use case heatmap was created across the function vs target business outcomes. Additionally, pilots were implemented with a fail-fast model to inform long term technology needs.
- 3. AI fluency** – Lawyers were placed at the centre of the change across the programme. The journey was brought to life through user adoption creative communications, updates from the GC’s AI avatar, interactive workshops, an AI engagement week including industry experts and peer legal teams.
- 4. Long-term foundations** – A business architecture identifying future AI-enabled capabilities was defined to inform long term foundations required. This included developing a governance framework for unstructured data, which was adopted by the wider organization, upgrading the document management system and process redesign needs.

Impact

A Legal AI assistant and translation tools were launched to 1,200 legal professionals alongside the largest CoPilot deployment in financial services industry, achieving adoption rates of 75%+ in the first weeks. 40+ lawyers supported with building, testing and configuring the AI Assistant. The impact included 5–8% productivity across drafting and review capabilities alongside the foundations for long term sustainable adoption.

Case Study 2 – How a AmLaw30 law firm developed their AI strategy



In partnership with Deloitte, a US-headquartered global law firm developed and began implementing a firmwide AI strategy spanning governance, use case development, adoption and client messaging, delivering measurable results within 12 months.

The Approach

- 1. Clear vision and commercial alignment** - Established a cross-practice Steering Committee to align AI investment to the firm's commercial priorities and set an accelerated 12-month roadmap, with executive buy-in from the outset.
- 2. Use case prioritisation by value and impact** - Engaged partner sponsors to assess AI opportunities across M&A and class action antitrust litigation matters, prioritising use cases by complexity, commercial value and client impact.
- 3. Practice-led pilots and lawyer adoption** - Launched pilots across Corporate, Litigation and Finance, bringing together knowledge management, innovation, legal project management and practice management teams to build use cases, train lawyers and develop a client-facing AI narrative.
- 4. Firmwide foundations for responsible use** - Established a communications and engagement strategy, role-based AI literacy curriculum, and AI risk and governance framework to embed responsible AI adoption across the firm.

Impact

The firm aligned its AI strategy to clear commercial objectives: winning new business, improving matter profitability and enhancing client service delivery. An AI literacy program was rolled out to +1,000 lawyers globally including Copilot and increasing the firm's adoption rates of available AI assistant tools to +85%.

Build vs. Buy: Finding the right balance

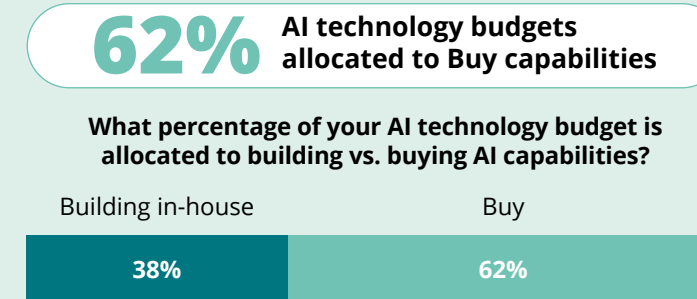
Approximately 62% of AI technology budgets are allocated to buying commercial solutions, with 38% directed towards building in-house in Legal departments. The market has a growing trend towards third-party solutions; however, there are several factors that influence approach.

What is driving Build?

Most commonly, legal teams have used enterprise-wide, custom-built AI; however, AI capability has also developed elsewhere in the organisation, in the form of self-service chatbots, search tools, and invoice review solutions. Legal teams that have developed more substantial custom-built legal workflows tend to be part of organisations with significant enterprise build capabilities – most often Technology companies and Financial Services organisations. Strict information security standards for onboarding third-party platforms, and a desire to retain organisational data are key influencing factors for these organisations.

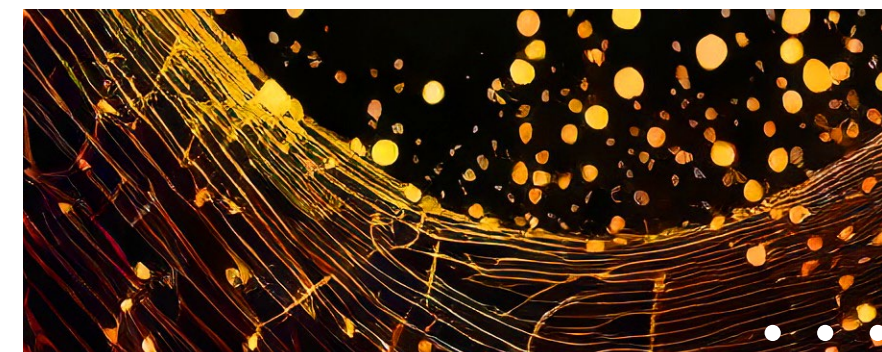
Building AI tools in-house is also becoming easier and more accessible. Historically, developing AI required specialist technical expertise, but new tools and approaches such as vibe coding are allowing people with little or no coding experience to build and test AI-powered applications. This presents an important decision around how much an organisation is willing to enable this type of development, particularly as agentic AI capabilities become more available. Balancing speed and agility locally within teams with scalable solutions and controlled spend will be critical as AI solutions increasingly charge based on token consumption and API usage. As usage grows, costs can rise significantly if not actively managed.

Figure 4: Investment in Build vs. Buy capabilities



What is driving Buy?

The pace of development of third-party legal AI platforms has outstripped the ability of most legal teams to keep up through internal investment. As a result, many are turning to third-party platforms, though onboarding these solutions remains a genuine friction point, particularly in heavily regulated sectors such as Financial Services and Life Sciences, where security reviews, compliance assessments, and vendor due diligence can extend lead times significantly. Increasingly, legal teams are pushing to accelerate this process, recognising that the overall benefits justify the effort. Most are also looking to retain a portfolio of platforms and preserve flexibility.



Tracking investment and demonstrating ROI

A significant proportion of respondents flagged their AI investment levels were unknown. In part, this is due to AI investments sitting across a range of areas and increasingly becoming embedded in a broad range of technologies and wider transformation initiatives.

However, this highlights a wider challenge facing Legal Departments of demonstrating ROI in AI investments. Without a clear view of how and where AI investments are being made, it is harder to scale, sustain and defend investment over time. It is also harder to determine whether investments are being made in the right areas i.e. in technology vs. transformation. Robust tracking of AI investment is an area for continued focus and improvement for legal teams, particularly as many AI solutions move from license-based pricing to consumption-based pricing.

“ A significant proportion of respondents flagged their AI investment levels were unknown.

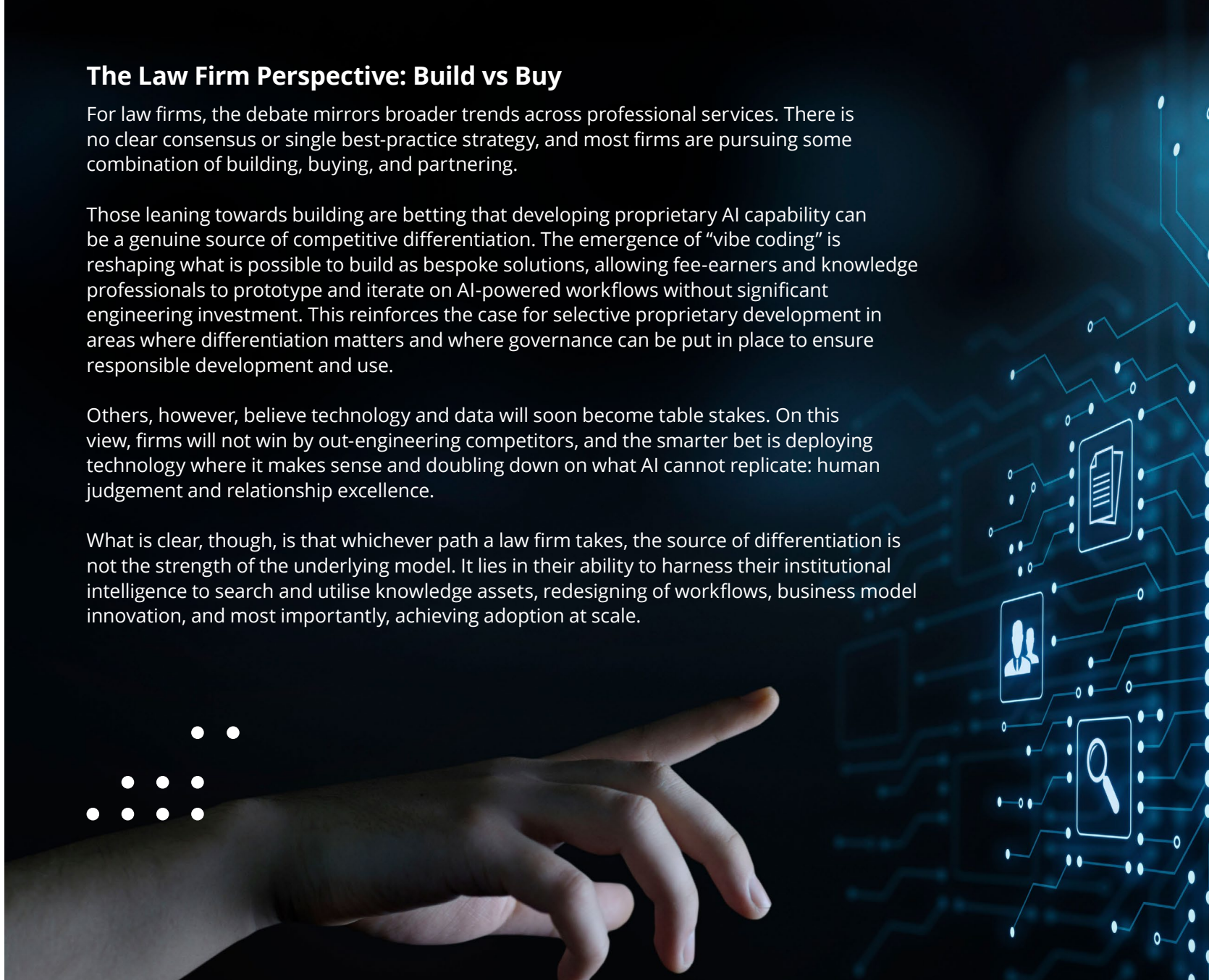
The Law Firm Perspective: Build vs Buy

For law firms, the debate mirrors broader trends across professional services. There is no clear consensus or single best-practice strategy, and most firms are pursuing some combination of building, buying, and partnering.

Those leaning towards building are betting that developing proprietary AI capability can be a genuine source of competitive differentiation. The emergence of “vibe coding” is reshaping what is possible to build as bespoke solutions, allowing fee-earners and knowledge professionals to prototype and iterate on AI-powered workflows without significant engineering investment. This reinforces the case for selective proprietary development in areas where differentiation matters and where governance can be put in place to ensure responsible development and use.

Others, however, believe technology and data will soon become table stakes. On this view, firms will not win by out-engineering competitors, and the smarter bet is deploying technology where it makes sense and doubling down on what AI cannot replicate: human judgement and relationship excellence.

What is clear, though, is that whichever path a law firm takes, the source of differentiation is not the strength of the underlying model. It lies in their ability to harness their institutional intelligence to search and utilise knowledge assets, redesigning of workflows, business model innovation, and most importantly, achieving adoption at scale.



Section 2: Adoption and increasing expectations for ROI

AI adoption is maturing from experimentation and pilots to scaling deployment

For most legal departments AI adoption has moved on from experimentation and piloting. 61% are in the Deployment phases, and 10% Fully Embedded, only 2% reporting no adoption at all. In our 2024 report, 76 reported no adoption. This pace of change over two years is remarkable for the legal industry.

We see three stages of AI adoption. **The first stage**, Foundations, focuses on horizontal platforms deployed across a broad range of legal teams and practice areas (such as enterprise co-pilots and Legal AI assistants) driving the foundational use cases and initial productivity gains and adoption targets. In parallel, teams are investing in foundational operating model elements such as data and knowledge, process redesign, and a robust governance structure. Legal departments in “No adoption” or “Experimenting/Piloting” are operating within this wave.

The second stage, Embedding, requires a different focus of deeper vertical adoption within specific practice areas and teams; this involves AI being embedded in daily workflows, delivering higher-value and more complex use cases, re-engineering of processes, targets on use aligned to specific business outcomes, and the early deployment of agentic capabilities. This begins to reshape the legal department structure more fundamentally. The distribution of respondents across these phases reflects an industry in transition, moving from laying the foundation to driving measurable value within specific practice areas and teams.

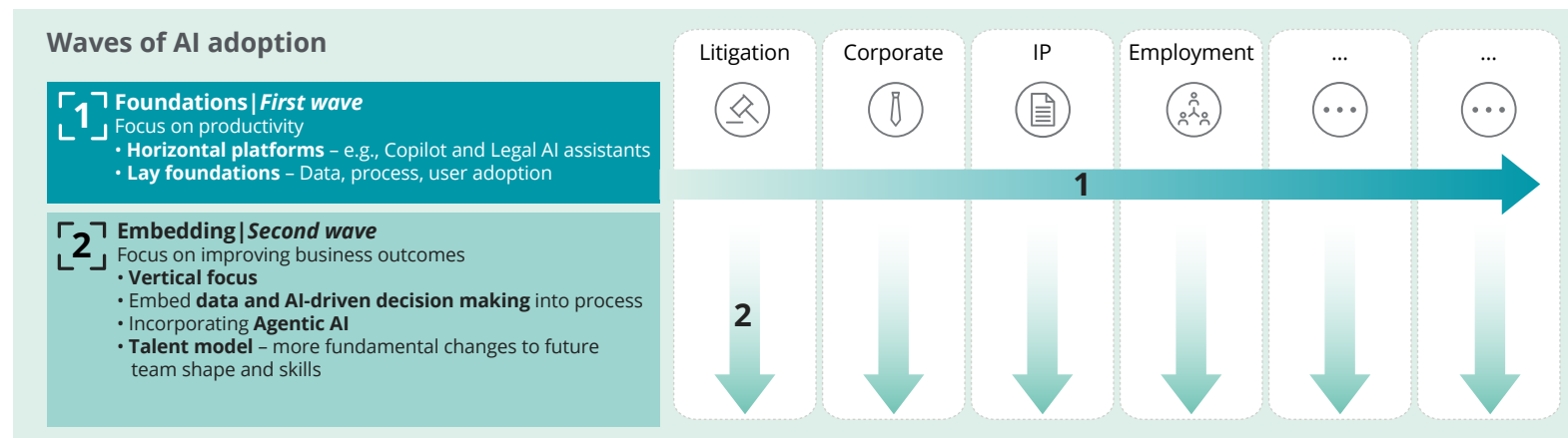
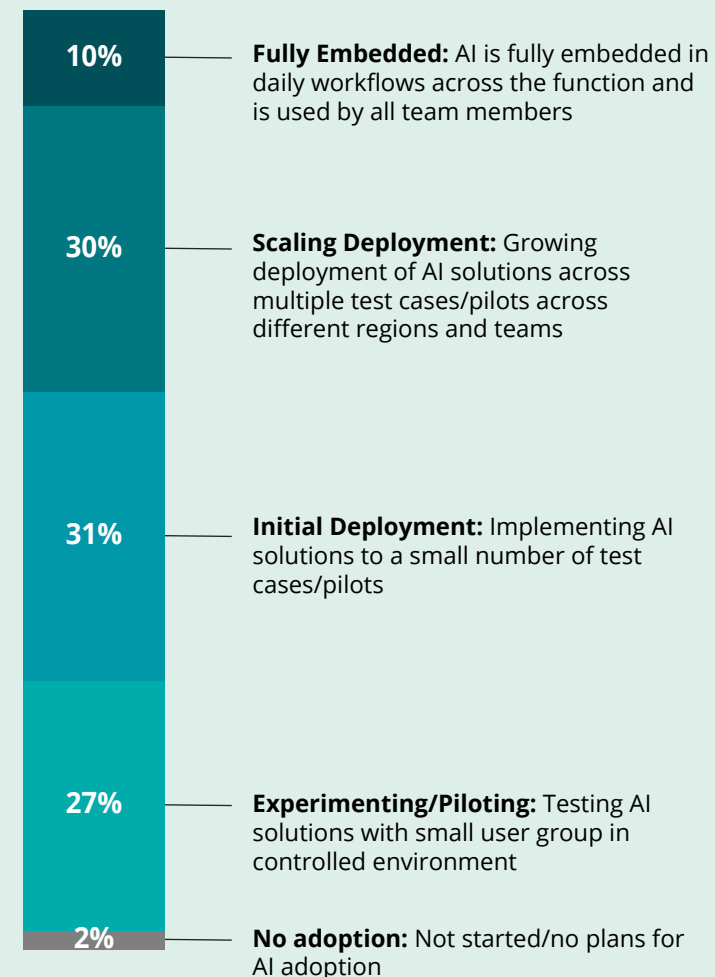


Figure 5: Phase of AI adoption



Adoption by practice area and activity

Of course, adoption is uneven across both practice areas and activities, reflecting deliberate prioritisation by legal departments of where AI can deliver the most value.

By practice area, Contracts and Commercial leads adoption, with 67% of respondents at scaling, fully embedded or initial deployment stage, followed by Legal Operations and Regulatory Compliance. Real Estate and Antitrust and Competition show the highest rates of no adoption. However, there is a good level of adoption (40%+ at initial deployment or further ahead) across all practice areas which highlights how cross-cutting and applicable AI capabilities are to all areas of legal work.

Document review, summarisation, and comparison is the most mature activity, with approximately 50% of respondents reporting either scaling deployment or fully embedded (see figure 7). Data extraction, legal research, document drafting, and knowledge search and retrieval follow a similar pattern — each with around 35–40% at scale or fully embedded. This reinforces a clear theme that AI is gaining its earliest and firmest foothold in workflows defined by high-volume, document-intensive work.

By contrast, more complex applications remain largely unexplored. Predictive analytics in litigation and AI-generated legal advice direct to clients each register no adoption rates of approximately 64–65%, while outside counsel management and spend analytics sits at 48% no adoption. These are precisely the use cases that high-maturity organisations identify as the next transformational horizon.

Figure 6: AI adoption by key practice areas

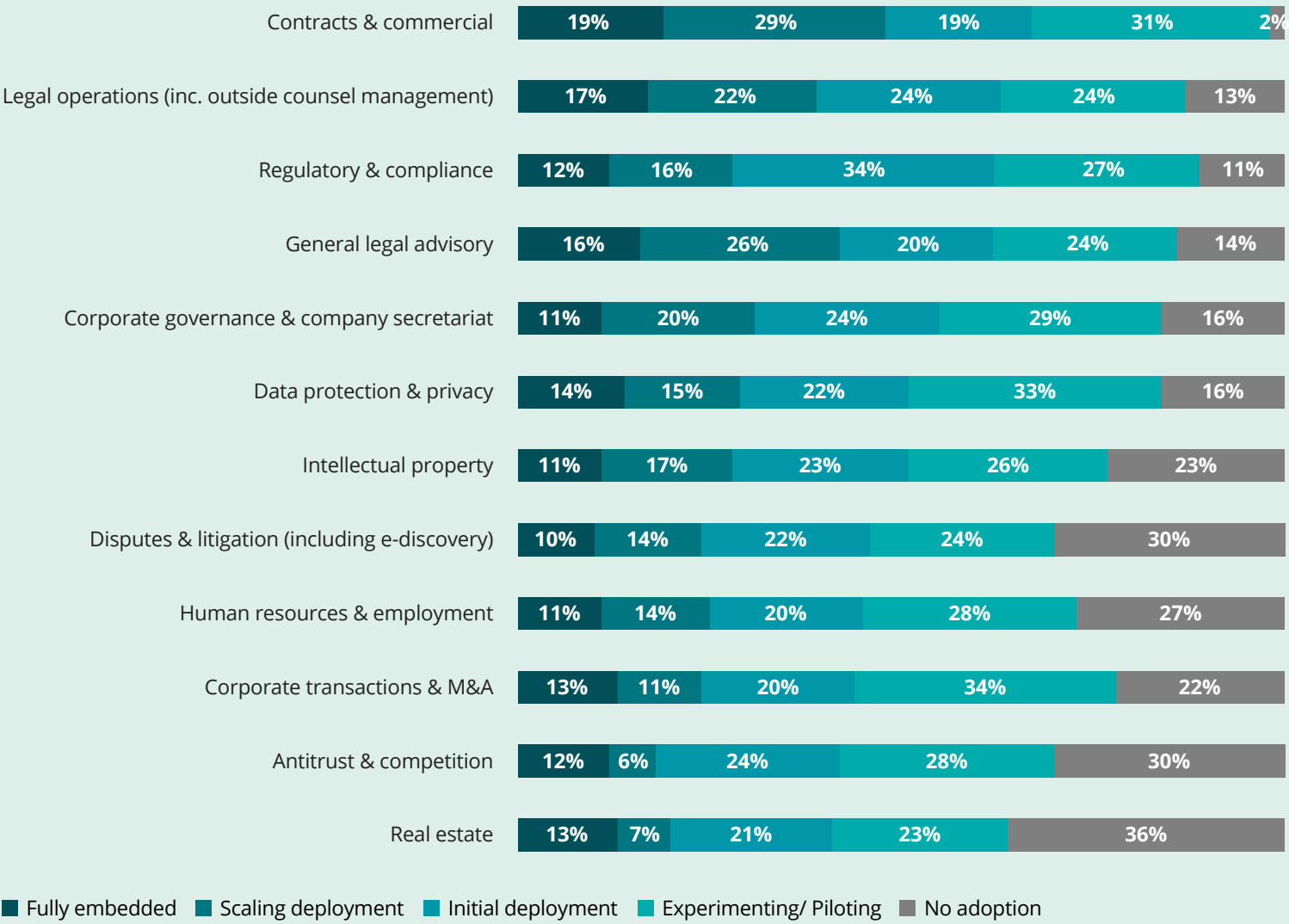
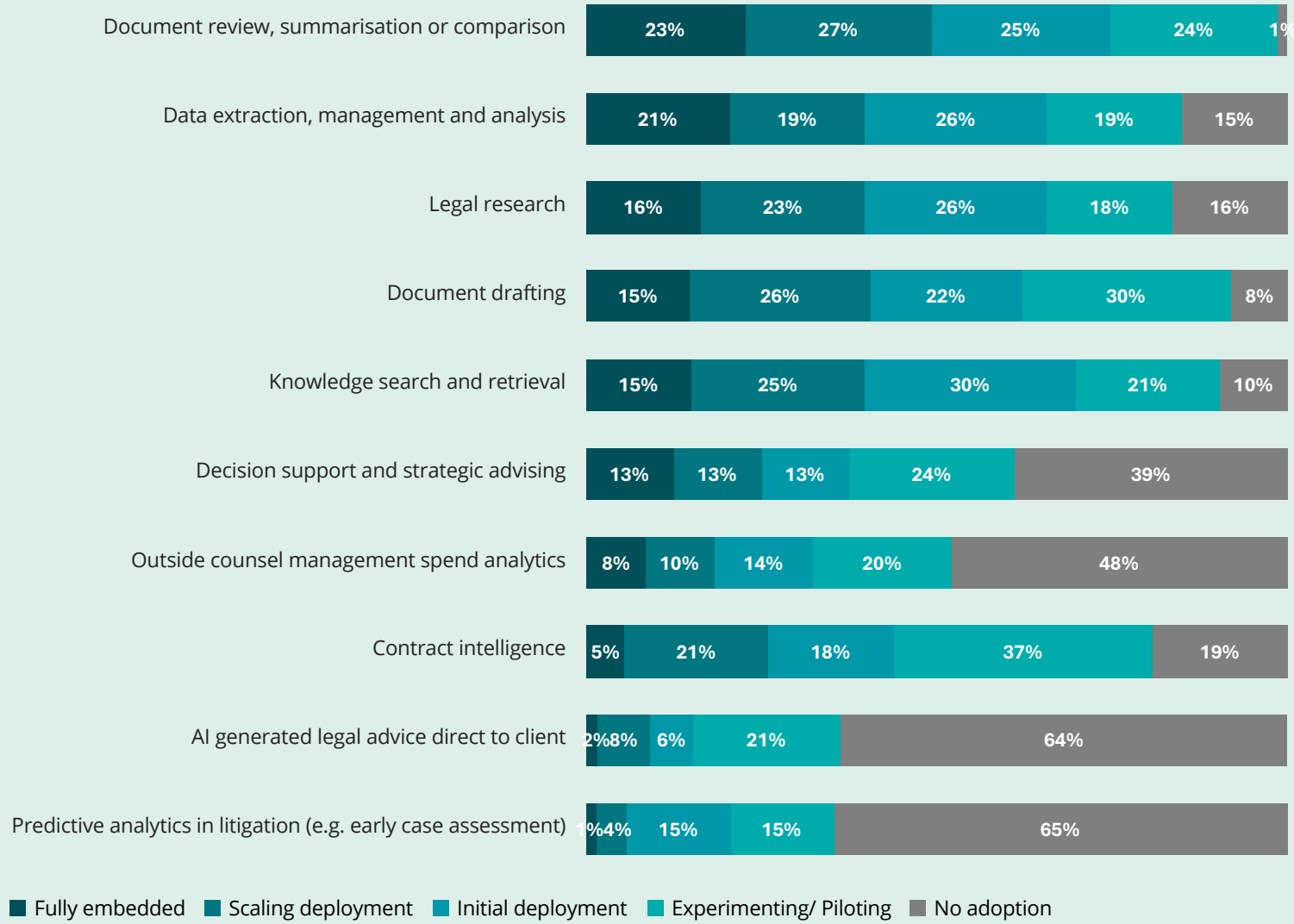


Figure 7: AI adoption by key activity

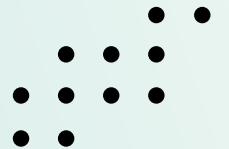


Case Study 3 – AI-enabled claims analysis



A leading organisation in the insurance sector partnered with Deloitte to transform their claims handling process, leveraging a new claims management platform combined with AI to more strategically assess and manage claims.

- The client's **existing claims process was highly manual** and reliant on external provider support to manage.
- The team reimagined the process to **incorporate AI capabilities to provide initial assessment and triage recommendation of the claim** resulting in significant automation of the existing process.
- The new process **accelerated the speed of the claims process, drove more consistent claims outcomes**, and reduced the overall claims related liabilities.
- The team were able **to handle more work in-house in their Legal department through initial automated claims assessment and earlier settlement decisions**, resulting in 6million Euros per annum external spend reduction.



Case Study 4 – Contract intelligence



A leading global technology company partnered with Deloitte to transform how it accessed and applied intelligence from a contract repository containing over 1 million agreements.

Deloitte supported the development of a prompt-based contract extraction module within the client's existing CLM environment, allowing contract data to be retrieved at scale across areas such as clauses, rate cards, pricing terms, benchmarks, and obligations.

The team also helped the client implement an AI contract intelligence platform by supporting the technical and operational setup needed to connect the platform to the client's contract repository, so that all existing and newly executed contracts flow automatically from the CLM into the platform.

Building on that repository connection, Deloitte helped legal teams configure the platform around their existing workflows, negotiation guidance, and contract review practices. This expanded the tool from a standalone AI redlining use case into a more integrated contract intelligence capability, allowing legal teams to use historical contract data and structured playbooks to support review, negotiation, and deviation analysis.

The shift to more data-driven legal solutions and AI generated advice direct to clients

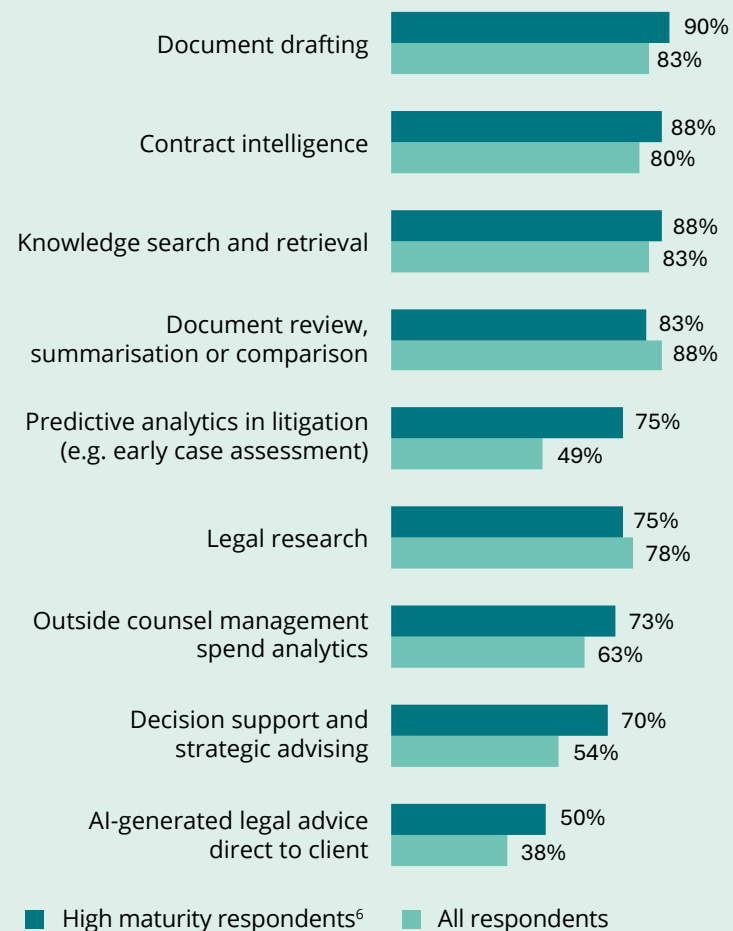
There is broad consensus among respondents that document drafting, contract intelligence and knowledge retrieval will continue to drive the most transformational impact given the large portion of legal work that incorporates these activities.

However, a big shift anticipated from today is in data-driven uses cases such as decision support, spend analytics and predictive litigation analytics, particularly from high maturity respondents. These are exciting applications of AI that can drive more value and insight to internal clients, improving outcomes for the business.

AI-generated legal advice direct to clients is also anticipated to be a transformational use case over the next 2-3 years for half of high maturity respondents (38% across all respondents). This is an area where many legal teams remain cautious with a human in the loop, so it is interesting to see the appetite from in house legal teams to move towards this model over the next 2-3 years. Agentic AI capabilities will provide much more opportunity to do this, with guardrails and governance being critical to building confidence in this model.

“AI-generated legal advice direct to clients is also anticipated to be a transformational use case over the next 2-3 years for half of high maturity respondents.”

Figure 8: Legal leaders' view of the most transformational AI use cases over the next 2-3 years



6. High-maturity organisations refer to organisations that indicated that they are in the 'Fully embedded' or 'Scaling Deployment' phase of their AI journey.

Automation expectations and the productivity opportunity

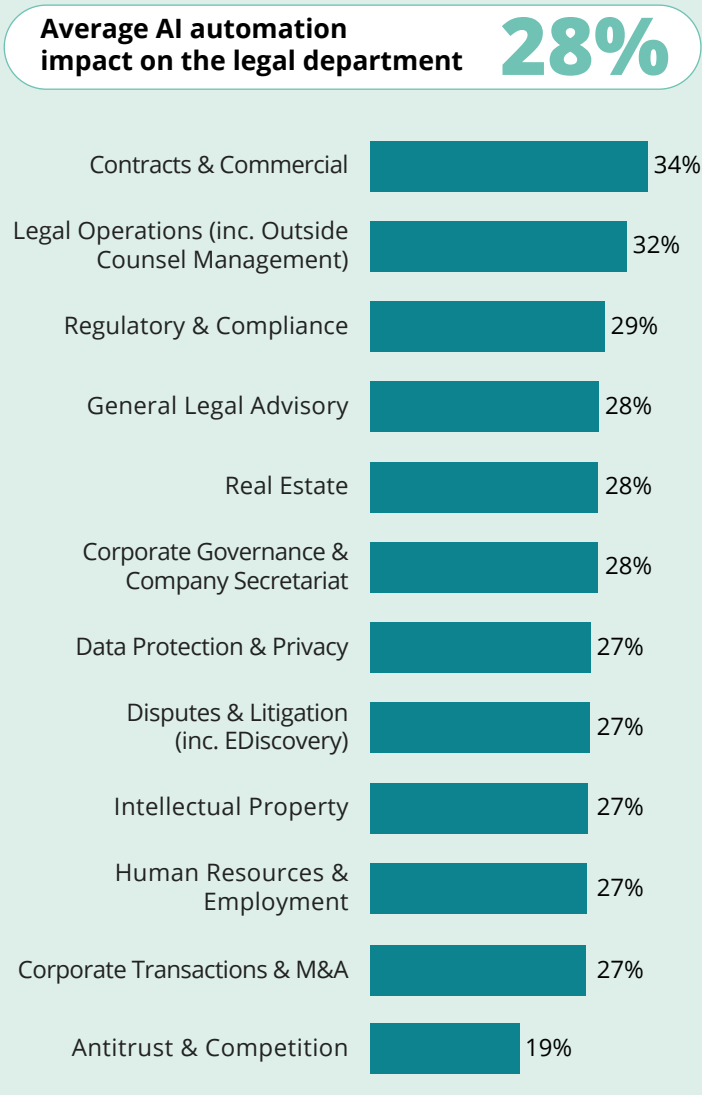
In our 2024 survey, 79% of legal leaders expected AI to have a moderate or significant impact. Today, respondents estimate AI could save or automate an average of 28% of legal department work over the next 2–3 years.

Contracts and Commercial leads at 34% automation potential, followed by Legal Operations at 32% and Regulatory and Compliance at 29%. Most other practice areas cluster tightly around 27–28%, suggesting AI can deliver broad-based efficiency gains across the function rather than being confined to isolated pockets of work. Specialist areas such as Antitrust and Competition sit at the lower end at 19%, reinforcing that automation potential is greatest in high-volume, process-led workflows, and more gradual where complex judgment remains central to the work.

These material productivity gains present choices for legal leadership as to how to use this additional capacity:

- **Insourcing outside counsel spend** – External support typically costs 3-5x more than Legal department resources. Insourcing has been a common trend for legal teams (65% report this as a priority benefit) to reduce total legal costs, invest in internal capability and knowledge and support the business case for AI investment.
- **Refocus to higher-value work or the ability to support higher volumes of work** – increasing value provided to the business.
- **Addressing increasing business demand and growth** – without increasing the team size.
- **Reduce costs** – An increasing number of legal teams (20%) expect smaller legal teams in the future. We are seeing mature organisations in cost focused industries, like technology and financial services, starting to take this approach.

Figure 9: Expected AI automation impact on legal department work over the next 2-3 years



Efficiency gains remain the most important benefit, with growing focus on wider ROI

Efficiency gains, including reduced costs and insourcing, remain the most prominent benefit of AI adoption for legal teams. This reflects the CEO/CFO expectation on General Counsels to maintain or reduce legal budgets in many organisations, particularly where AI investments are being made.

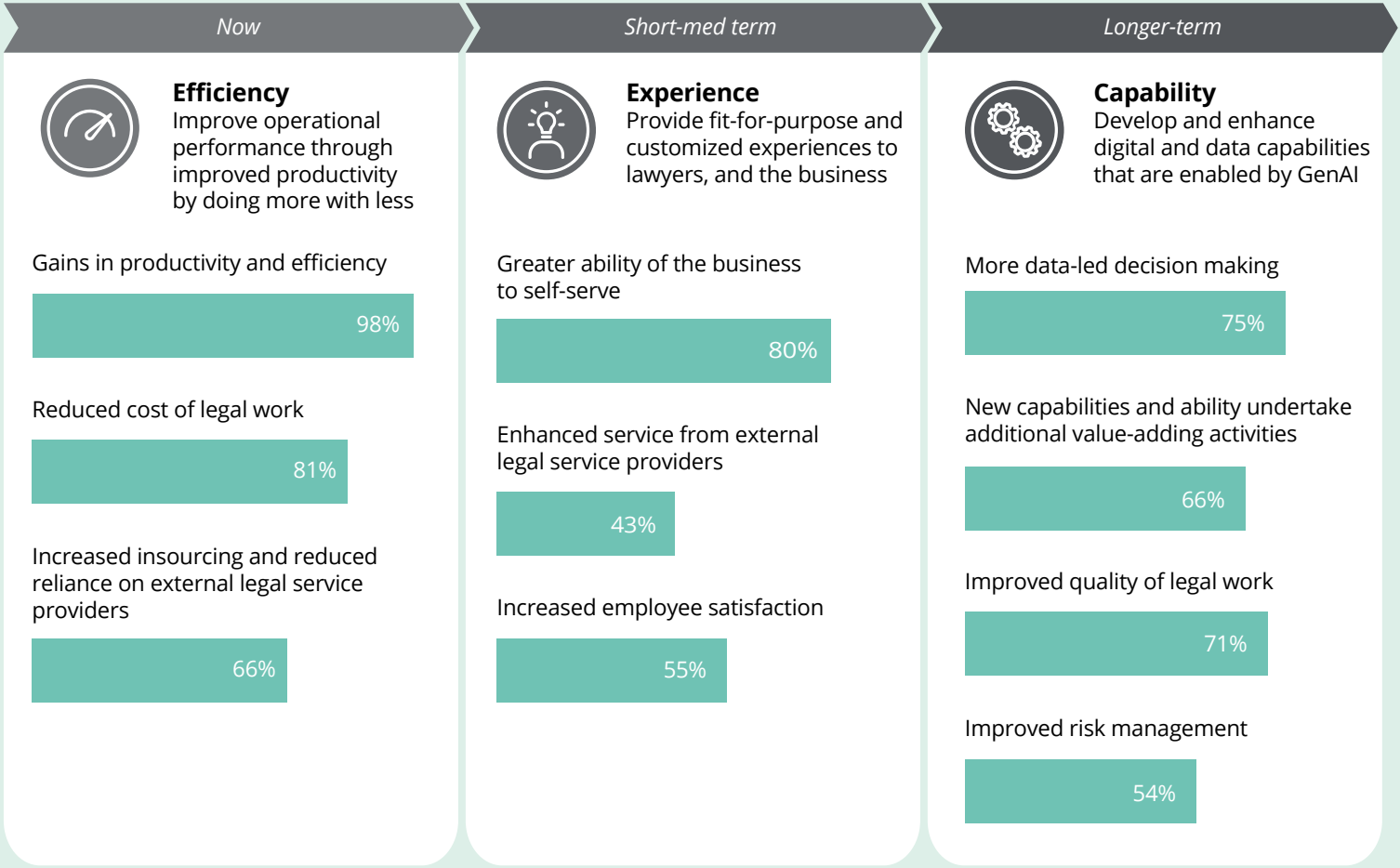
Increasing business self-service is also one of the highest priority benefits (90%) to improve customer experience, whilst expectations are lower for enhanced service from external legal providers (53%) and improved employee satisfaction (50%).

There is growing focus on AI delivering new capabilities and improving the quality of legal work which in our view is where some of the most exciting opportunities lie for legal teams. Examples include:

- **More data-led decision-making** – Providing better legal advice using AI gathered insights on previous legal opinions, precedent, transaction or contractual documentation.
- **Improved risk management** – Reviewing all documents rather than a sample, for example in a corporate transaction due diligence context, to provide broader risk coverage.
- **Predictive analytics and scenario modelling** – Improving litigation decisioning and outcomes.

Focusing on AI benefits beyond efficiency gains creates a more compelling case for the business and employees, who will be more engaged by the opportunities to improve the way they support clients.

Figure 10: What benefits do you expect AI to deliver?



The Law Firm Perspective: AI benefits and ROI

The impact of AI on law firms is potentially seismic. The prospect of technology that can compress the time taken to complete legal work creates an inherent tension: if the same output requires fewer hours, how does a firm protect its revenue whilst still passing the benefits of efficiency on to clients? The billable hour model becomes significantly harder to defend going forward.

Granted, this is not a new challenge. AI has intensified existing pressures that have long been at play. Improving the efficiency of law firm service delivery has been a core part of many law firms' strategies for years and many firms have established Business Services teams and tools beyond AI that enable them to achieve this. The answer is also not as simple as suggesting a move away from the billable hour towards alternative fee arrangements and fixed fees. Each client scenario is nuanced, and it requires a fundamental shift in the business model.

AI adoption across law firms is also uneven. The scale of the adoption journey they must embark on is huge, but those that are successfully navigating it are beginning to establish a meaningful competitive advantage, differentiating themselves not just on price, but on the speed and quality of their service delivery.

The firms navigating this most effectively are reframing the question entirely. Rather than simply viewing AI as a threat to existing revenue streams, they are exploring how to align AI to their broader commercial strategy across teams and practice areas.

In practice, law firms are identifying AI benefits across three interconnected dimensions efficiency, experience, and capability cited on figure 10. Leading firms and partners are also actively aligning these to commercial outcomes, such as:

- **Growth:** using AI to win new client work and expand market share with existing or new clients, whether by offering more competitive pricing, net new services, or enhanced service offerings that improve relationships with existing clients.
- **Profitability:** prioritising AI to reduce non-billable time, the tasks most frequently written off and looking to improve margin on matters through reduced cost of delivery.

As set out in section 4 of this publication, there is a window of opportunity for firms that proactively discuss the benefits of AI with clients. Firms with mature AI strategies are recognising that this conversation is not merely a risk management exercise; it is a commercial opportunity. Handled well, it can deepen client relationships, reinforce trust, and serve as a genuine differentiator in an increasingly competitive market.

Embracing the next stage of AI adoption: Agentic AI

Agentic AI is a key theme for 2026, extending beyond the legal sector. According to Deloitte's State of AI in the Enterprise Report⁷, 23% of companies are using agentic AI moderately; and within two years, that figure is expected to reach 74%.

Unlike current AI tools, which typically automate well-defined, static processes, agentic AI can make decisions and take actions autonomously within certain parameters, proactively identifying risks and suggesting solutions.

Legal departments are starting to explore opportunities with AI agents as we predicted last year. 61% of respondents report their legal departments are experimenting/piloting Agentic AI. Although such capabilities are still emerging, they offer clear potential to automate a large scope of legal work. Initial focus of agentic use in legal includes addressing routine queries from the business, triage and routing of work within the legal team and contract review workflows.

Whilst agentic capabilities are becoming more available for legal teams, putting in place robust governance and guardrails that legal teams are comfortable with will take some time and should be a key focus of early piloting. Only 21% of enterprise companies report a mature governance model for autonomous agents⁸.

7. [The State of AI in the Enterprise – 2026 AI report | Deloitte UK](#)

8. [The State of AI in the Enterprise – 2026 AI report | Deloitte UK](#)

Case Study 5 – Agentic AI – Salesforce

Salesforce's Legal and Corporate Affairs (LCA) function has made agentic AI core to its overall strategy with the whole team aiming to operate as a lean agentic legal department. The department has had significant success reducing the number of requests that require human intervention by implementing the following agents:

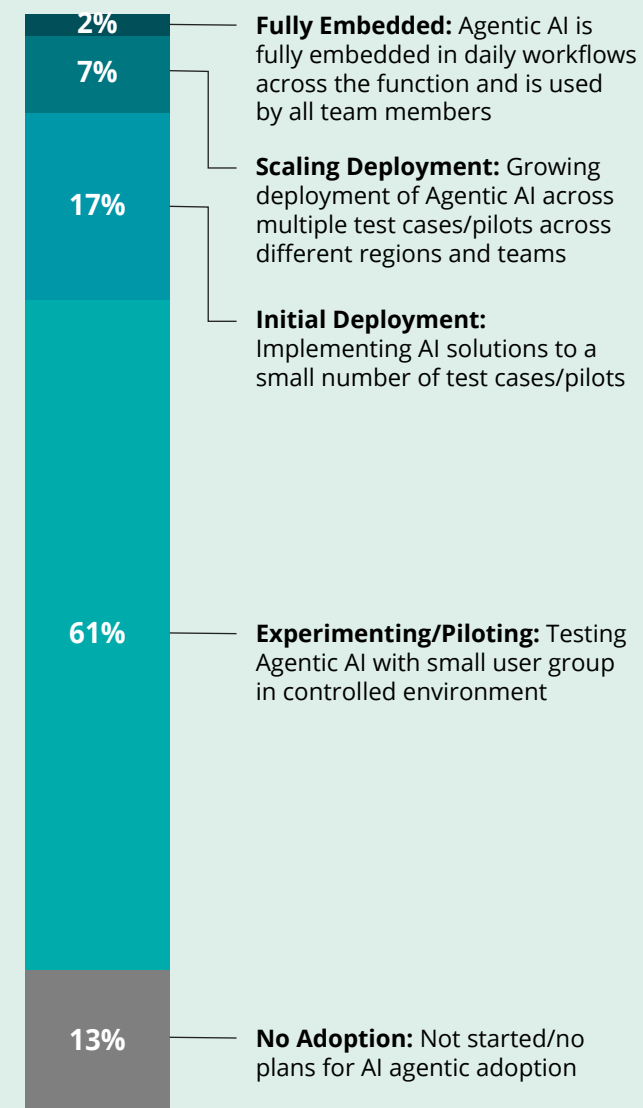


- 1. Outside Counsel Management Agent** – Salesforce's legal department receives a high volume of outside counsel invoices across dozens of firms and matters. The OCM Agent automates first-line query handling, allowing the team to focus on higher-value billing analysis and vendor relationship management rather than routine invoice inquiries.
- 2. Sales Support Agent** – this agent currently provides two key capabilities embedded in slack, one live and one in development::
 - a) Case Deflection – live and acting as a first line of support for sellers, the case deflection capability surfaces answers from LCA's curated knowledge article library in real time, reducing case volume and allowing legal professionals to focus on higher-complexity matters.
 - b) Contract 360 – Salesforce's commercial legal team manages an extensive portfolio of executed agreements across a global customer base. Contract 360 will give sales teams on-demand access to key contract data — including pricing benchmarks, rate cards, and obligations — directly within Slack, without needing to open a legal case.
- 3. Product Legal Request Agent (PLR Agent)** – Product legal reviews are a high-frequency, high-volume request type for the product legal team. The PLR Agent will provide legal professionals with an on-demand resource to handle routine product legal queries, freeing capacity for more complex and novel legal work.

All agentic use cases are subject to **stringent oversight**, such as structured risk and accuracy testing, permissions validation, and mandatory disclaimer language included in responses. Additionally, each internally deployed AI use case goes through AI governance reviews including, but not limited to, legal and Office of Ethical and Humane Use reviews.

- 1. Practice AI Leads (PALs)** – To drive AI fluency across the entire department, the function established a network of embedded legal subject matter experts within each LCA practice area who serve as AI champions and super-enablers. PALs bridge the gap between AI tools and day-to-day legal operations by running weekly office hours, developing practice-specific prompts and use cases, providing 1:1 coaching, and contributing to a shared use case library. The PAL program spans all LCA practice areas — including Commercial, Product, Privacy, Patent, Litigation, Employment, and more — with PALs dedicating 10–20% of their time to accelerating AI adoption and transformation from within.
- 2. Agent Manager** – a new role combining legal expertise, risk management, and technical fluency to drive the prioritisation and testing of use cases, prompt instruction development, and own the oversight framework designed for both internal and external-facing deployments.

Figure 11: Phase of Agentic AI adoption



Section 3: The impact of AI on roles, skills, and careers

The changing composition of legal teams

Our 2024 survey posed a question about the future size of legal teams and attracted an optimistic response. Many respondents expected their team to stay broadly the same size and composition, with relatively little structural change. Two years on, the picture has shifted materially.

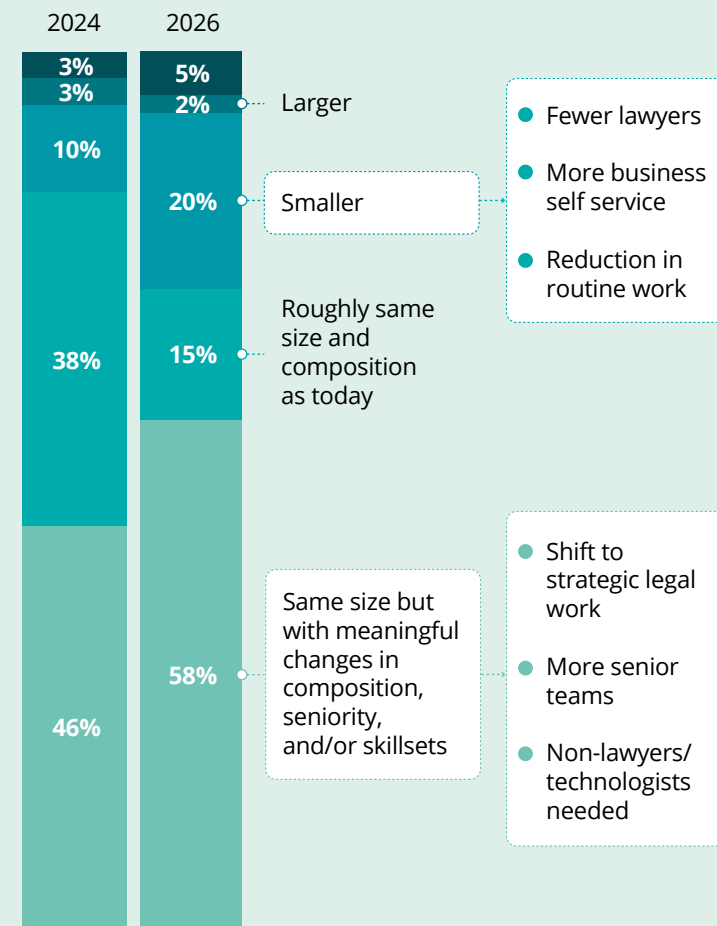
The prevailing view in 2026 (58%) is legal teams expect to stay broadly the same size but change meaningfully in **composition**, **seniority** and **skillsets**. The expectations are for a shift to more strategic work, a more senior team required to manage a more complex work profile as routine work is automated, and different non-legal and technology skills are brought in. The proportion expecting **smaller teams** has doubled in the last two years to 20%. These teams expect fewer lawyers and more business self-service.

The approach taken by leadership will be influenced by Enterprise priorities and how the value case for AI is framed. Legal teams in cost focused organisations such as are beginning to reduce team size to help meet cost goal. Our survey showed this expectation was most common in Financial Services, Chemicals & Agriculture and Technology sectors. Whilst Others are focusing on meeting future growth and delivering more value, whilst reshaping keeping the broadly same team size – this was the case for 100% of Government & Public Sector respondents.

Regardless of which approach is taken, there is a growing and dominant view now in the industry that material change in the composition, seniority and skillsets of legal teams is expected. Legal teams need to be planning now for this shift and the reskilling journey.

“58% expect legal teams to stay broadly the same size but with meaningful changes in composition, seniority and/or skillsets.”

Figure 12: Expected changes to team size and composition (2024 and 2026 comparison)



Our view: Future Shape of the Legal Department

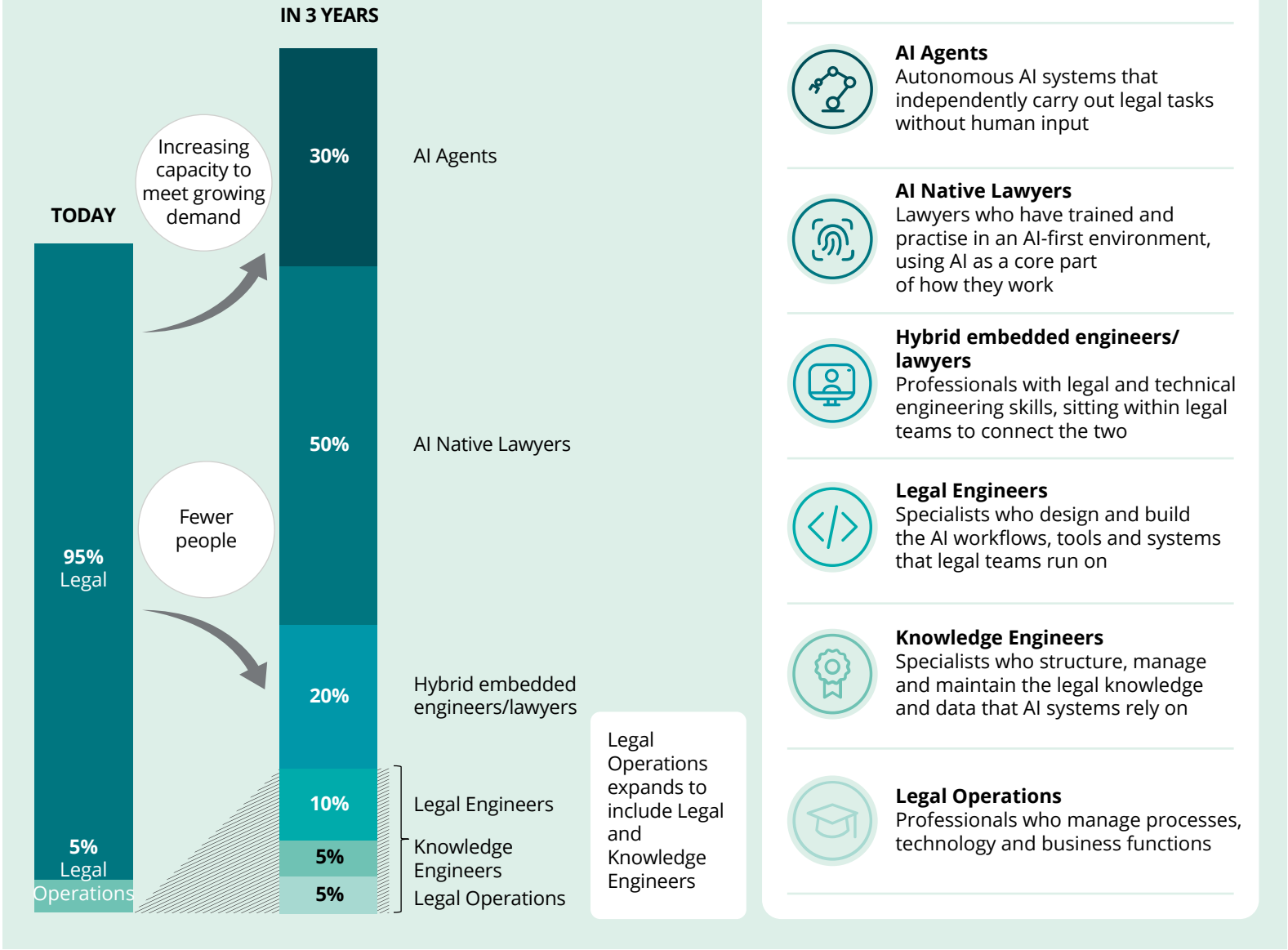
Today's legal team is typically majority lawyers (95%) alongside a small legal operations function (5%). The future legal workforce will incorporate new/hybrid roles and agents. To effectively reskill the legal workforce and incorporate these new roles, organisations need to begin workforce planning now – including recruitment, training, career pathways, performance management, incentives.

We also envisage the Legal team's workload growing over the next 3 years which needs to be planned for. This will be driven by several factors including faster business growth cycles as businesses adopt AI, higher expectations for legal responsiveness, increasing regulatory complexity and AI driven growth areas such as growing consumer and employee complaints assisted by AI. However, we see legal teams able to meet this demand growth without increasing, and potentially reducing headcount, if adopting AI and re-shaping the workforce in the right way.

Key Shifts:

- **New Growth Areas:** Business demand and emerging risk driving growth in new areas e.g., employee complaints.
- **AI Agents:** Absorb increasing volumes of work, delivering more with a leaner resource base.
- **Senior Lawyers:** Smaller, senior cohort of AI-native lawyers.
- **Embedded Lawyers:** Growing proportion of lawyers who are embedded within practice areas
- **Legal and Knowledge Engineers:** Combine legal, process, technology and data skills to build and maintain workflows, agents and knowledge assets.
- **Legal Operations:** Expands into change management, transformation and outside counsel management, with BAU activity increasingly automated.

Figure 13: Changing composition of the legal team over the next 3 years



Critical future skills: AI Literacy, Leadership and Adaptability

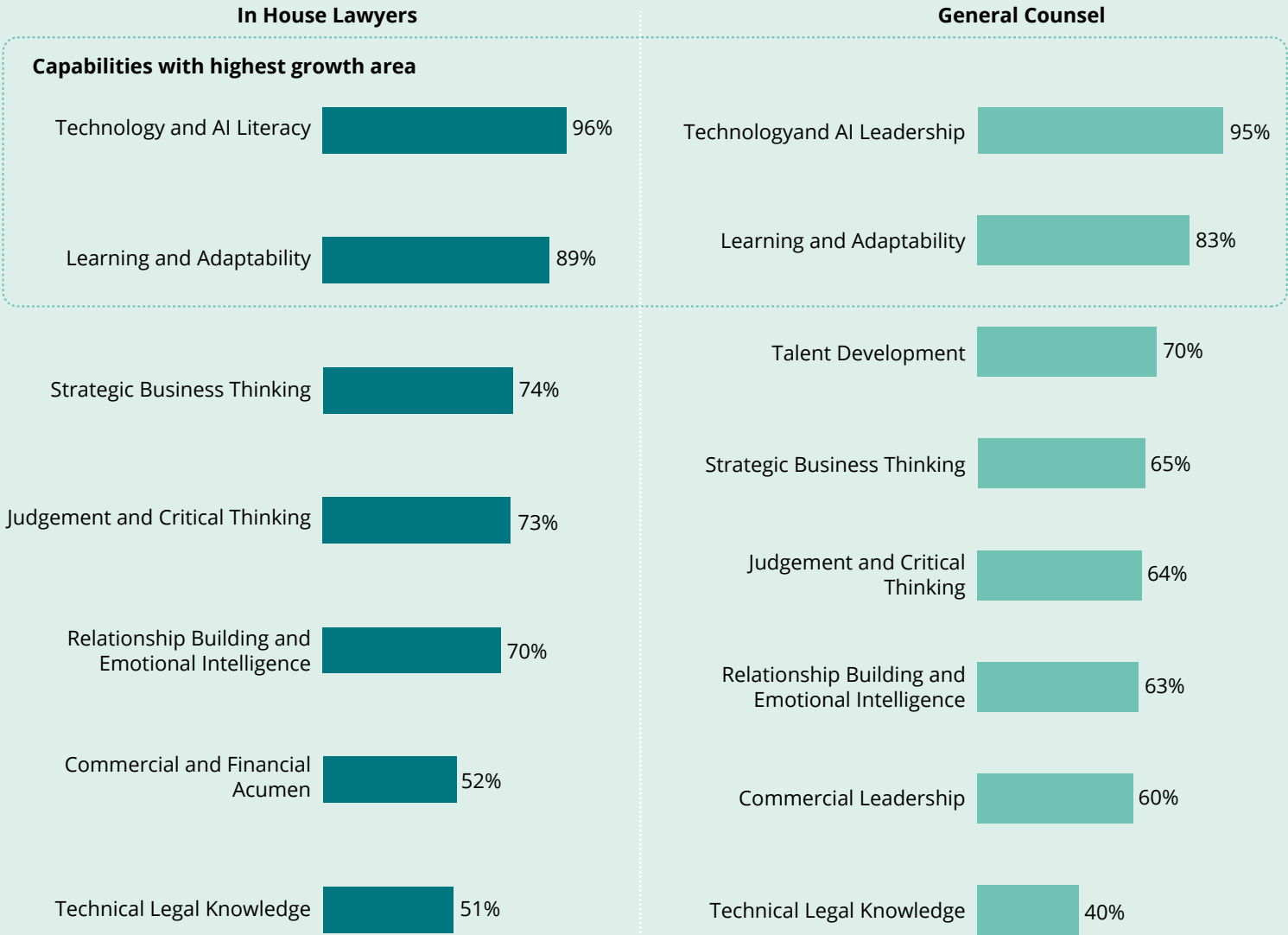
Technology and AI literacy is the standout capability for Legal department lawyers, with 96% of respondents rating it as growing in importance over the next two to three years. This is no longer a discretionary skill; it will be a core expectation of every legal team member. Learning and adaptability ranks second at 89%, a finding reinforced by broader labour market data with adaptability now being the most cited skill in new job postings across LinkedIn’s platform globally.⁹

Strategic business thinking (74%), judgement and critical thinking (73%) and relationship building and emotional intelligence (70%) also rank highly – inherently human capabilities that become more valuable as AI absorbs routine analytical tasks. Technical legal knowledge ranks lowest at 51%, not because it becomes irrelevant, but because that will increasingly be considered table stakes alongside a wider range of skills.

There are similar themes for General Counsel. Technology and AI leadership is rated the most important growth area (95%), with learning and adaptability second at 83%. Talent development always ranks highly (70%) reflecting the increasing focus required here to navigate the workforce transition and reskilling discussed in this report.

9. The Talent Velocity Advantage, 2026

Figure 14: % of respondents who think capabilities will grow in importance over the next 2-3 years



Re-Pricing of Legal Talent

The skills shift is likely to be accompanied by a fundamental change in how legal talent is valued and incentivised. As AI takes on more routine, high-volume work (the kind traditionally done by paralegals, trainees, and junior associates) demand for those roles is likely to fall, and salaries with it. The effect runs in the opposite direction for specialist roles. Legal engineers, who combine legal knowledge with process design expertise, are already commanding higher salaries in a market where that skillset is rare. Senior lawyers with deep expertise and strong client relationships are similarly well-placed, as their judgement is less likely to be replicated by AI.

The longer-term structural consequence is a move away from the traditional legal pyramid, with large numbers of junior lawyers at the base, towards a leaner diamond model with fewer junior and senior generalist roles, and a broader middle layer of lawyers with hybrid technical and legal skills. This pattern is playing out in the technology sector where developers, project managers and testing roles are converging into hybrid roles and specialist AI Customer Experience Strategist roles are emerging in their place and the legal profession is likely to follow.

The Nature of Work Will Change – Not Just Volume

In the customer service sector, automation of routine queries has led to customer-facing staff handling a higher proportion of complex, intensive interactions, requiring a redesign of shift patterns to reflect the increased intensity of work. The same dynamic is emerging in legal, as AI handles routine tasks, and business users increasingly arrive with AI-formulated queries, the work that reaches legal is becoming more sophisticated and demanding.

One example illustrating this clearly is how Legal Departments are using AI to produce a first draft of a document, then sending it to their external Law firm for review and refinement. This is a significant shift in how legal work is divided between client and firm.

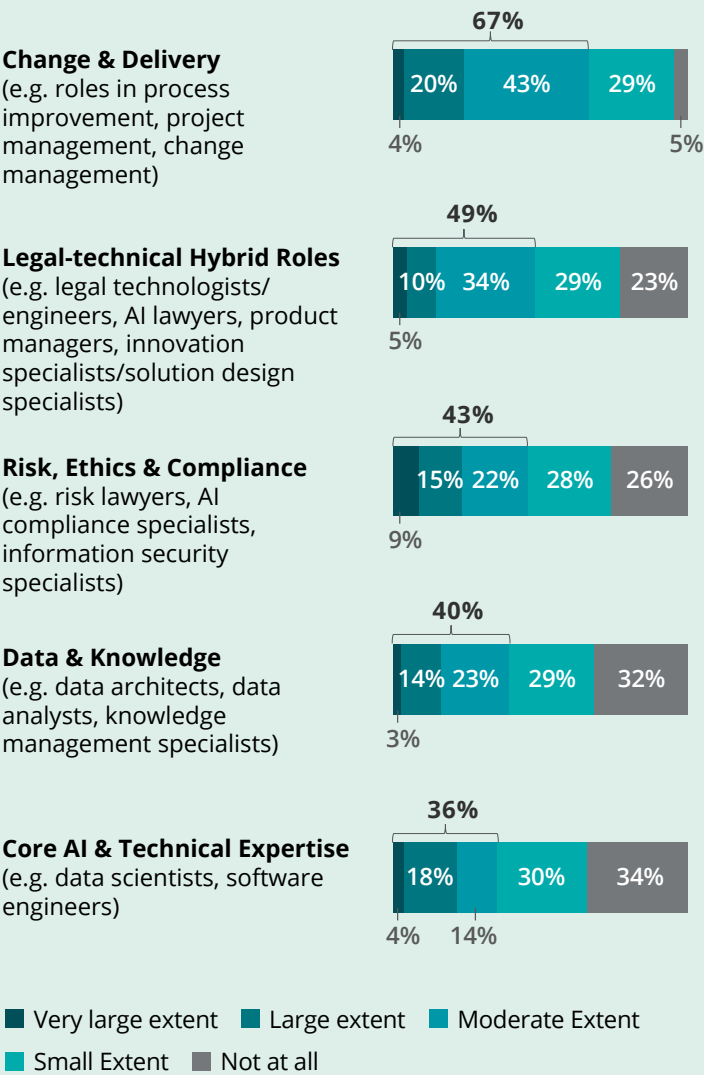
The implication is clear. Automating routine work raises the complexity of residual workload, arguing for a more senior, experienced team. Equivalent roles in the future may require more experienced professionals than today.

Investment into New Capabilities

Our survey highlighted significant investment in new capabilities. Change and delivery roles are attracting the highest level of future investment, with 67% of respondents investing to a large or moderate extent. This likely reflects a widely shared experience amongst legal teams: that without strong change capability, the benefits that AI can deliver are limited. Legal Technical Hybrid roles such as Legal Engineers follows with 49% and Risk, Ethics and Compliance at 43%. This is reflective of the General Counsel's dual role as user of AI guardian of a responsible introduction into the business.

At the lower end, investment in data and knowledge management remains low, despite being fundamental building blocks for delivering AI. This is an area we expect legal to focus on more as their use of AI matures. Core AI and technical expertise has the highest “Not at all” response at 34%; this may be reflective of Legal departments tapping into enterprise AI capability.

Figure 15: Extent organisations are investing in capabilities in response to AI



Spotlight: The rise of the Legal Engineer

Legal engineering has existed at the intersection of legal practice and technology for years – in knowledge management, legal operations and legal technology consulting. But the pace of AI development has pushed it from a niche specialism to a strategic function at the heart of AI transformation of legal services.

Defining the Role

Legal engineers combine legal knowledge, process design capability and technical fluency with a deep understanding of AI, systems architecture and strategic roadmap planning. Working closely with teams, they translate business needs into clear, actionable requirements, bridging the gap between what technology can deliver and what legal teams require. As Legora's Head of Legal Engineering Alex Fortescue-Webb describes it, the strongest legal engineers "can zoom into the detail of a specific workflow, then zoom out to design an adoption plan for the entire function or firm." It is defined by breadth and that breadth is precisely what makes it so difficult to find.

Building the Capability: What Good Looks Like

At Deloitte, we have been building our legal engineering capability over the past year. Our work typically uses a hub-and-spoke delivery model: a core legal engineering team runs the project supplemented with subject-matter experts for legal domain or jurisdictional experience. As adoption scales, we have found legal engineers play a critical role in defining the quality checks and QA approach, so they are applied consistently across lawyers and teams, embedded into workflow and process, rather than each lawyer doing this in their individualised way.

We are increasingly seeing our legal engineers develop knowledge assets – defined knowledge inputs, workflows, QA steps and standards for specific practice areas – that can

Figure 16: The Legal Engineer Skillset



accelerate implementation for our clients. Managing driving agentic operations, including usage and cost monitoring and control as pricing shifts to consumption based, will become a key part of the role.

There is an interesting design question on whether you build this legal engineering capability centrally, embed within practice areas, or a hybrid approach. Over time, the future legal workforce will have these skills embedded in multiple places (see figure 13).

A new career path

Deloitte has been working with universities to develop a curriculum equipping graduates with the blended legal and technical skills the role requires. Also, some law schools are beginning to offer different training programmes such as Professor Dan Hunter at King's College London to build AI Literacy for Law as a discipline recognising that the long-term health of the field depends on embedding it into legal education, not just corporate training to equip legal practitioners with a practical, strategic understanding of AI and its implications.

These initiatives point to a broader shift; traditional legal trainee pathways will reduce whilst new routes open. Many future lawyers may well develop through a legal engineering career path. We have found significant interest from within our own Legal business to work in legal engineering, with rotations and secondments a key component of developing capability. This has also created new and exciting opportunities for our professionals, which brings talent attraction and retention benefits.

What Organisations Should Do Now

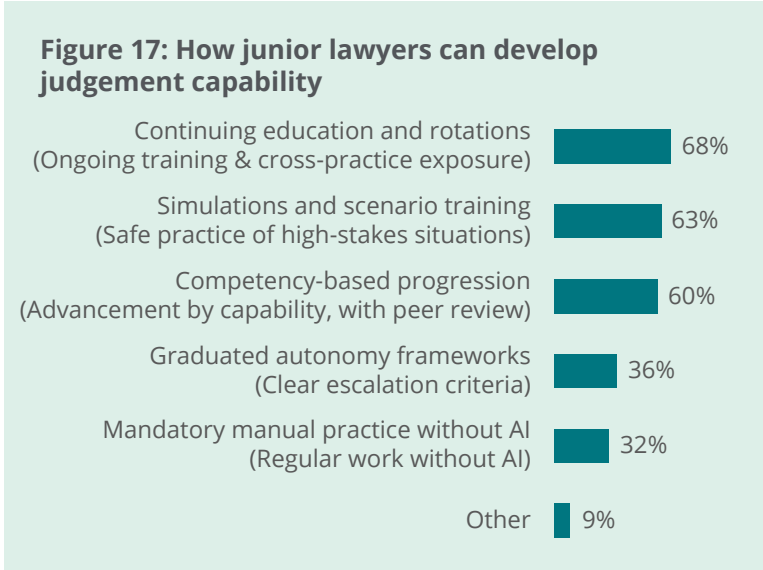
Legal Departments and Law firms are beginning to hire Legal Engineering roles and leading organisations are:

- **Identifying and investing in internal candidates** and lawyers gravitating towards knowledge management, legal operations or technology projects who have the aptitude to develop technical fluency.
- **Building external partnerships** with legal engineering-capable firms and specialist providers to supplement internal capability where it does not yet exist.
- **Integrating legal engineering into workforce planning** as a distinct capability category across recruitment, development and succession planning.

The Junior Lawyer Question

The structural shift above raises a question the profession has been slow to confront directly. If AI absorbs the document-intensive, high-volume work that has historically served as the training ground for junior lawyers, how does the next generation develop the judgement that legal practice requires?

From our survey, the most common views on future training approaches were continuous education and role rotations (68%) followed by simulations and scenario training (63%) and competency progression rather than PQE based progression (60%). The profession needs to design development frameworks that separate learning from execution and build judgement, critical thinking and legal reasoning through structured, deliberate practice and reflection as opposed to passive accumulation of hours spent on tasks. Legal leaders who wait for a regulator or a law school to design the answer will find themselves behind a curve.



The Role of Leaders

The workforce transformation described requires deliberate and visible leadership and will define one of the most important roles a General Counsel or Managing Partner plays today. Legal leaders’ role is threefold: setting the ambition for what the AI-enabled legal team looks like; making the investment case for the people and structural changes required to get there; and modelling the behaviours the function needs to see from the top curiosity, adaptability and openness to new ways of working.

Underlying all of this is the question of what distinct value humans bring to legal work when AI can draft, review, analyse, predict and advise? And are the structures we have (e.g. law firms built on leverage, legal departments organised around headcount) the right ones to carry us through what comes next? These are not comfortable questions, but they are the pertinent ones for legal leaders to be asking now.

Key workforce planning initiatives

Leading legal teams are actively:

- **Conducting structured impact assessments** to understand where roles/skill sets need to evolve and defining the future roles and capabilities required.
- **Updating competency frameworks and performance** management processes to reflect AI literacy as a core requirement.
- **Embedding new roles and capabilities**, including legal engineering as a defined function with a clear career path, not a project resource.
- **Redesigning learning and development pathways** around competency-based progression, simulation and structured learning.

- **Updating incentives** to incorporate AI goals, objectives and metrics.
- **Growing legal operations** with the data, knowledge and technology roles the AI-enabled team requires.
- **Building sourcing strategies** internal, nearshore and offshore that account for AI’s impact on the workforce.

The Law Firm Perspective: Talent Model Under Pressure

The workforce implications of AI are no less significant for law firms and in some respects the challenge is sharper. The traditional pyramid model, large cohorts of junior associates developing through high-volume document work, progressing through a lockstep pyramid towards partnership is built on assumptions that AI is already undermining. The volume of junior roles is reducing; new specialist roles are emerging; and 78% of in-house respondents expect law firm AI use to reduce cost, with 45% expecting faster turnaround of delivery (see figure 19).

The firms navigating this best are those investing in new roles, such as in legal engineering capabilities to build proprietary tools and workflows; redesigning associate development programmes around simulation, supervision and structured learning; and beginning to reshape their business models before the pressure to do so becomes acute. Those that wait for client attrition to force the issue will find the transition significantly harder to manage.

Nearshore, Offshore and ALSP usage

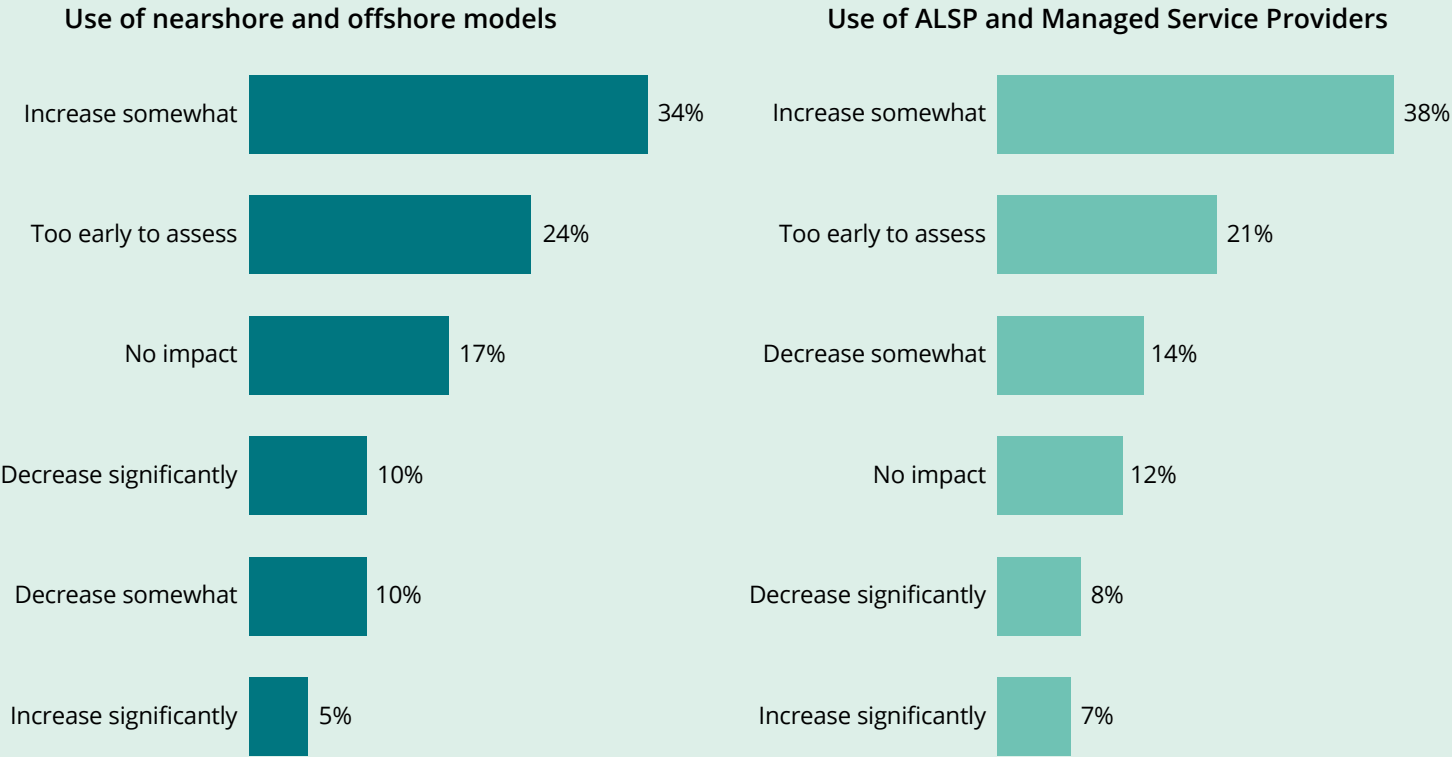
Rapid AI developments have led many legal teams to revisit their approach to nearshore, offshore and use of Alternative Legal Service Providers (ALSPs).

Our survey respondents present a mixed picture for use of nearshore and offshore capabilities with many different views. The more common view is for increasing near shore and offshore usage (34% increasing somewhat) compared to 20% decreasing somewhat or significantly. Where nearshore and offshore shared services hubs are investing in AI across multiple functions and business areas, this can create an attractive hub to accelerate AI benefits combined with more cost-effective resources. This also may reflect that many legal teams have done limited nearshoring and offshoring, so benefits are still worthwhile to adopt this approach.

A similar view is reflected with use of ALSPs. The more common expected approach is to increase use of ALSPs (38% somewhat) compared to 22% decreasing somewhat or significantly. For Legal departments with sufficient AI investment and internal capabilities, there is a stronger case for internalising work currently sent to ALSPs. Examples seen include contract review and invoice review. However, the survey clearly shows that many legal teams will prefer to continue or increase outsourcing to ALSPs to draw on the AI benefits and investments being made by ALSPs across a multi-client spectrum.

Across both areas, a significant proportion of respondents say it is too early to assess given the impact of AI is not yet clear enough on these different delivery models.

Figure 18: Respondents who think sourcing will change over the next 2-3 years





Section 4: The changing relationship between legal department and provider

Legal departments are expecting wide ranging benefits from their providers' use of AI, but financial outcomes are the most important

Cost reduction is the dominant priority, cited by 78% of respondents as the most important benefit from external providers' use of AI, followed by improved quality of legal services at 57% (see figure 19).

This likely reflects the increasing pressure that General Counsels and legal leaders are receiving from enterprise C-suite leadership to reduce the costs of legal, using AI. Some General Counsels are committing to bold legal department cost reduction targets in the range of 20-40% over the next two to three years, which in turn is being passed on to outside counsel.

The expectation is that pricing models adapt to reflect evolving commercial relationships between client and external provider. 85% of respondents believe AI will change how law firms price their work to a moderate, large, or very large extent, and the share of work conducted on an hourly rate model is expected to fall from 72% today to 44% within 2-3 years, a significant structural shift driven by client demand for pricing models that better reflect the economics of AI-assisted delivery. We expect that this will continue to intensify over the next 2-3 years with legal departments increasingly looking at how they collaborate with outside counsel to capture the benefits as well as strategically in-sourcing more work.

Collaborating with outside counsel

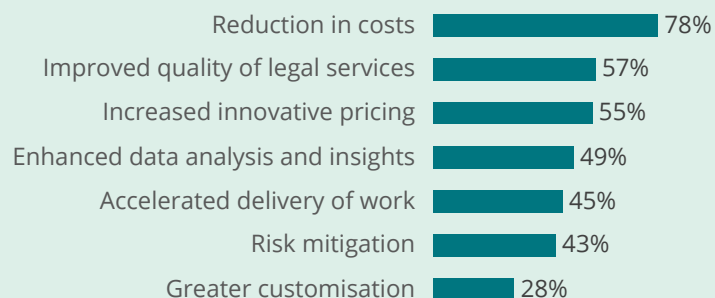
- 1 Partnering & selection** – incorporating AI use into panel requirements, tendering and evaluation criteria.
- 2 Value based commercial models** – incentivising firms that shift their pricing approach and setting KPIs to measure the impact of AI.
- 3 Updating outside counsel management programmes** – updating e-Billing controls to flag activities that should be handled by AI and implementing data driven relationship reviews including AI use and benefits.
- 4 Co-development with clients** – developing custom AI workflows with external providers around commercial challenges

Strategic insourcing

- 1 External spend analysis** – analysing outside counsel spend, matter volumes, cost and strategic importance to identify insourcing candidates.
- 2 Reviewing their right sourcing strategy** – evaluating which activities should be performed strictly by external providers and then insourcing priority areas.
- 3 Redesigning their talent model of the future** – refreshing talent pipeline/workforce planning alongside insourcing strategy and identifying target senior counsel investments to support insourcing.

Key initiatives that legal departments are undertaking to reduce external cost

Figure 19: Most important¹⁰ benefits from external legal providers' use of AI



85% Believe AI will change how law firms price work to a **moderate, large or very large extent**

Legal departments expect their providers to lead the AI conversation, but most are not doing so

58% of General Counsels say their external providers “rarely” or “never” proactively discuss AI benefits, a striking finding given the intensity of client-side expectation established in earlier sections. The majority of legal departments remain at the early stages of engagement with providers on AI from initial discussions through to incorporating it into strategic criteria with only 13% having co-developed solutions or directly experienced benefits.

The commercial stakes are sharpening. Some legal departments are already using AI to review years of external invoice narratives to create strategies on what can be insourced or automated, signalling that clients are not waiting for providers to act. Where firms stay silent, clients are increasingly likely to draw their own conclusions.

On benefits sharing, 42% of respondents believe that AI generated cost savings should be split equally between external providers and the client. This signals strongly that many legal departments are expecting to have a commercial, pragmatic conversation with their external providers that shows intent and proactivity to commit to working together to reduce costs.

Figure 20: % of work on an hourly rate model today vs expectation in 2-3 years

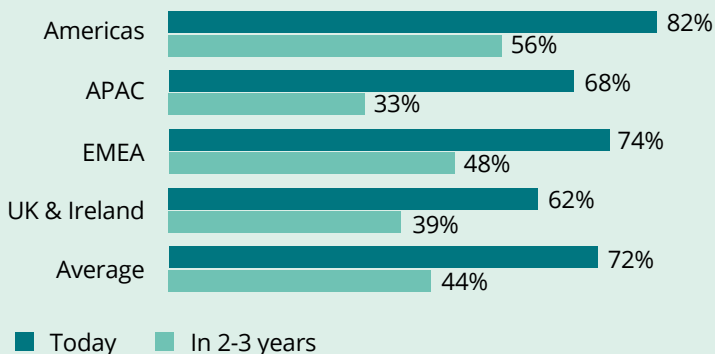
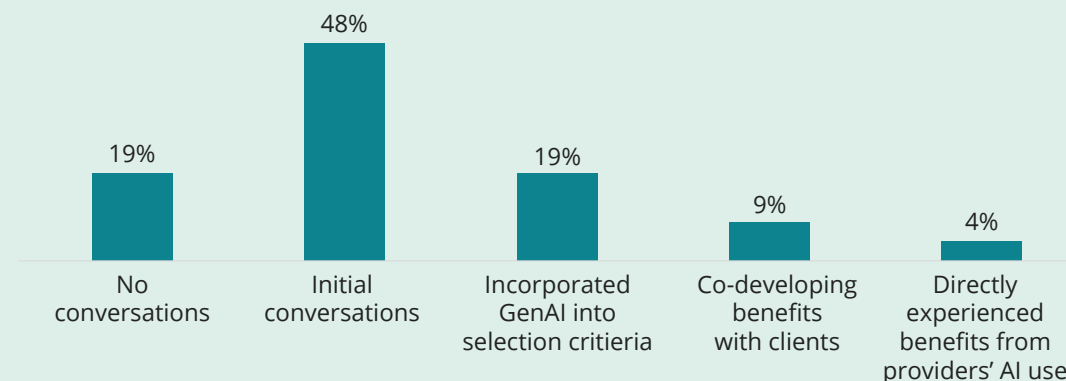


Figure 21: Current stage of engagement with external providers

42% say AI generated cost savings **should be split equally** between external provider and client

58% say providers **“rarely” or “never”** proactively discuss AI benefits



10. Benefits categorised as 'Most important' were those that respondents indicated as 'Extremely important' or 'Very important'.

The Law Firm Perspective: Proactive or Reactive – The Choice Defines the Terms

The data presents law firms with a fork in the road, and the direction chosen will materially shape the commercial relationship with clients over the next two to three years.

Reactive partners will wait for the client to raise AI, and in doing so, cede control of the conversation entirely. • When the client initiates, they arrive with pre-formed expectations of cost reductions, revised pricing models, and demands for transparency over how AI efficiency gains have been applied to their matters. The conversation begins on the client's terms, with the firm in a defensive posture.

Proactive partners can shape the conversation before the client defines it. By initiating early dialogue around AI; how it is being deployed, where it is delivering efficiency, and what that means for the client relationship, these firms retain the ability to frame benefit sharing as a collaborative conversation rather than a concession.

The partners and firms best placed to retain and grow client relationships are those that move first. That means bringing clients into the conversation on deployment, co-developing approaches where appropriate, and demonstrating transparency on how efficiency gains are being reflected in pricing. For firms that do this well, AI becomes a differentiator and a relationship deepener, which could lead to higher volumes of work from their clients. For those that do not, it becomes a potential source of client friction.





Section 5: The AI Transformation Roadmap

Taken together, our findings describe a legal industry increasingly investing in AI but still in the early stages of capturing the full value. AI offers General Counsels and law firm leaders the ability to deliver better outcomes for the businesses they serve by:

- Bringing new analytical and data-driven insight that today's model cannot provide at scale;
- Managing risk across a far greater breadth and depth;
- Fundamentally reshaping the cost of legal delivery; and
- Offering their people more rewarding and substantive career experiences than the profession has historically been able to provide.

This requires a comprehensive transformation approach that redesigns legal service delivery and the operating model around it, not just overlaying AI onto existing ways of working.

The legal teams **leading AI transformation share common best practices**. They invest in the essential foundations – improving knowledge management and data quality. They take a human-centred approach, treating people and process as seriously as technology. They mandate AI fluency across their teams, making capability-building non-negotiable. Critically, they go beyond efficiency gains to fundamentally redesign their business models. And throughout, they communicate with clarity to their teams on their AI transformation journeys and what is expected of them. We see those organisations following a broadly consistent journey to AI transformation through three stages: Foundations, Embedding, and Scaling.

Figure 22: The AI transformation roadmap

	 Foundations	 Embedding	 Scaling
 Strategy	AI strategy, business case, roadmap	Practice area re-engineering	Strategic response to market shifts
	Leadership buy in	In-sourcing	Re-imagined legal solutions
 People	AI literacy and upskilling	Workforce of the future planning	Re-shaped AI centred workforce
	Champions network	Invest in new roles	Continuous learning & adaptability
 Technology and data	Core technology platforms	Integrations & pilot agentic	Agentic AI scaling & operations mgt
	Data & knowledge foundations	Embedded knowledge in AI use cases	Predictive analytics & risk intelligence
 External providers	AI expectations set	Pricing shifts & spend analytics	Re-aligned incentives around outcomes
	Selection considers AI benefits	Collaboration model shifts	New, differentiated AI legal services
 Risk & governance	AI governance & guardrails	Use case level QA governance embedded	Agentic governance scaled
	AI steering committee	Agentic governance piloted	AI legal advice direct to clients



Stage 1 – Foundations

The Foundations stage is about creating the conditions under which AI can deliver value rather than simply being deployed. That means an AI strategy with a clear business case and an honest assessment of readiness; leadership that is visibly committed; governance guardrails that enable experimentation rather than just controlling risk; data and knowledge foundations that AI workflows can rely on; and an adoption programme that goes beyond basic AI literacy.

Organisations spend longer in this stage than they might have expected but it is critical to set up the legal department for success. Procuring AI technology, piloting a handful of use cases, and rolling out basic AI literacy training are good steps but critically, they do not create the conditions for scaled AI transformation. The organisations that stall here tend to share a common pattern of investing heavily in technology and lightly in the data, people, process redesign, and cultural change that determine whether AI adds value.

Foundations – Example best practices

- Set a clear AI strategy, with business outcomes defined that guide decisions and provide a positive vision for the function.
- Collective intelligence from contracts, knowledge assets, and operational data has been audited, structured, and governed, treated as inputs to AI, not an afterthought.
- Core technology platforms are selected and made available across the legal function supported by a programme of AI fluency initiatives.



Stage 2 – Embedding

The Embedding stage is where the real test begins. Use cases that proved out in pilots move into scaled production. Knowledge becomes embedded in AI workflows. Agentic capabilities (that is, systems that can make bounded decisions autonomously, surface risks, and suggest solutions) begin to be piloted, requiring governance to keep pace with capability. Teams reimagine redesign processes rather than AI incrementally supporting activities in an existing process.

This is also the stage at which the workforce agenda becomes genuinely active. Legal engineering (that is, the capability that sits at the intersection of legal knowledge, process design, and technical fluency) becomes the bridge between strategy and execution. Organisations that build this capability now will move faster than those that try to recruit it later. The relationship with external providers shifts gear here too as AI expectations move from being articulated to being embedded in selection criteria, pricing models, and collaboration frameworks.

Embedding – Example best practices

- Targets for AI use linked to business outcomes (e.g. increased productivity, reduced cost, and/or increased speed) for practice areas/teams.
- Workforce planning is underway: new roles (legal technologists, AI reviewers) are being recruited or developed internally, and performance frameworks are updated to reflect AI-augmented working.
- Quality assurance is embedded at the use-case level with defined review checkpoints and feedback loops.



Stage 3 – Scaling

The Scaling stage describes where a legal function has genuinely integrated AI into how it operates, beyond a mere productivity tool and as a structural component of its operating model.

The ambition at this stage extends well beyond efficiency. As maturity increases, the expected value of AI expands into greater business self-service, more data-led decision-making, new advisory capabilities, and a fundamentally different relationship between legal and the organisation it serves. The most advanced legal functions are already planning for the next wave of change rather than consolidating what they have built.

The organisations that will lead in the AI-enabled legal landscape of 2030 are not necessarily those with the largest budgets or the most advanced technology; they are those that are investing in change and transformation to fundamentally rethink how AI changes their business model.

Scaling – Example best practices

- Targets and benefits of AI use move well beyond efficiency (e.g. AI use to support early settlement decisions in litigation).
- Team structures and job architectures reflect AI-augmented delivery.
- Agentic governance protocols covering monitoring, accuracy scoring, permissions and audit trails are in place.
- External relationships are incentivised and structured around outcomes.

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Methodology note

Deloitte, in partnership with RSGI, surveyed 121 individuals between April and May 2026, via an online questionnaire with a structured set of questions covering the impact of 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 Agriculture and Chemicals, Consumer, Energy, Renewables and Industrials, Financial Services, Government and Public Services, Life Sciences and Healthcare, Real Estate, Technology, Media and Telecommunications. The survey sample also covered the spectrum of Legal Department sizes, including responses from Legal Department with below 25 FTE to over 200 FTE, with representation from the Americas, APAC, EMEA and UK & Ireland.



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