

The AI Imperative in Legal Services

How successful firms are navigating the market and
overcoming key challenges to maximize AI's value

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Frontline Managed Services*

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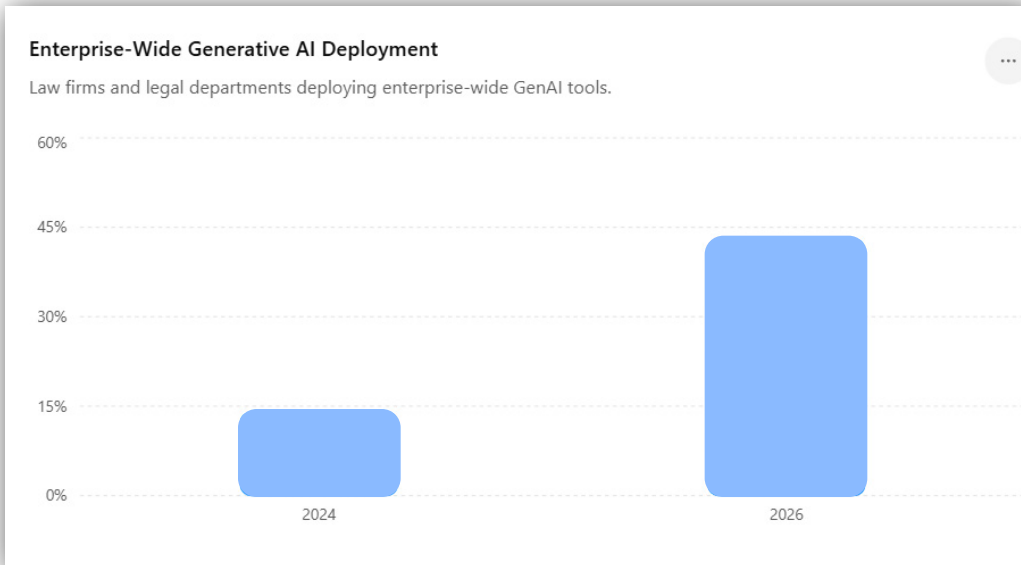
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Executive Summary

Artificial intelligence is no longer a speculative technology on the periphery of the legal industry – it is a present-day force reshaping how law firms deliver services, compete for clients, and attract talent. According to Clio’s 2025 Legal Trends Report, 79% of legal professionals now report using AI in some capacity, a dramatic increase from just 19% in 2023. The Thomson Reuters 2025 Generative AI in Professional Services Report found that the share of legal organizations actively integrating generative AI nearly doubled in a single year, from 14% to 26%. And by early 2026, 43% of law firms and legal departments had deployed an enterprise-wide generative AI tool – up from just 14% at the start of 2024.

Despite this rapid adoption curve, a significant gap persists between experimentation and execution. While 80% of legal professionals expect AI to have a transformative impact within five years, only 22% of firms have a visible AI strategy, and just 15% report that AI is a central part of their workflow. The result is a growing divide: **firms that approach AI as a strategic transformation initiative are pulling ahead, while those treating it as a procurement exercise risk compounding inefficiency and falling behind.**

This white paper examines the problem at the center of the legal industry’s AI moment – the imperative to act – and the three defining challenges firms must navigate to do so effectively: what to implement, where to build versus buy, and how to govern AI at scale. Lastly, we define with a set of guiding principles designed to help firm leaders cut through complexity and focus on what drives lasting value.



CLIO, 2025 LEGAL TRENDS REPORT

19%
Legal Professionals Using AI in 2023

79%
Legal Professionals Using AI in 2025

43%
Law Firms with Enterprise-Wide GenAI Deployments in 2026

Only **22%** Have a Visible AI Strategy



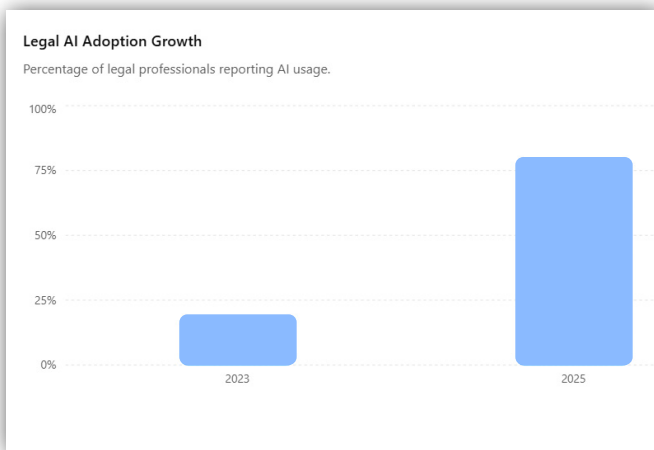
The AI Landscape Is Accelerating — And Law Firms Must Act

AI Adoption has moved fast enough that the central question for most law firms has shifted from “Should we use AI?” to “How do we use it strategically, and how quickly can we operationalize it?” The convergence of accelerating adoption, rising client expectations, and compounding competitive risk has created a singular imperative:

FIRMS THAT DO NOT ACT NOW WILL FIND THE COST OF CATCHING UP FAR EXCEEDS THE COST OF LEADING.

THE ADOPTION CURVE IS HISTORICALLY STEEP

The velocity of AI adoption in legal services is among the fastest technology adoption curves in any professional services sector. Clio’s Legal Trends Report documented a leap from 19% of legal professionals using AI in 2023 to 79% in 2025, with mid-sized firms leading at 93%. The ABA’s 2025 Technology Survey confirmed the trend: adoption reached 46% at firms with 100 or more attorneys.



ABA, 2025 TECHNOLOGY SURVEY

These are not marginal shifts. They represent a structural transformation in how legal work is performed, priced, and delivered. For example, AI contract review now reduces review time by up to 85% and achieves approximately 95% accuracy compared to roughly 80% for manual review. AI-powered e-discovery tools cut document review costs by 50-70% in large cases. The impact is beginning to show consistently:

LAWYERS USING GENERATIVE AI SAVE UP TO 240 HOURS PER YEAR – THE EQUIVALENT OF 30 FULL WORKING DAYS.

EXPECTATIONS ARE RESETTING



The pressure is not only internal. Corporate legal departments are building AI capabilities of their own and increasingly expect outside counsel to match or exceed their sophistication. Major financial-services and healthcare clients now include AI-use questionnaires in panel reviews and engagement letters. Firms without documented AI policies and demonstrable capabilities risk scoring poorly in competitive RFP processes – a trend that will only intensify as client AI maturity grows. Compounding pressures from clients include price sensitivity and a desire for value-based legal services – driving disruption in firm operating models particularly in the mid-law space.

The legal industry as a whole is shifting its operating model toward AI integrated workflows, and firms that do not modernize will risk aging and deprecated workflows incongruous with broader industry best practices. This will place increased pressures on talent acquisition, retention, and attorney experience.

THE COST OF DELAY IS ERODING COMPETITIVE ADVANTAGE

For firms that have not yet committed to a strategic AI roadmap, waiting may feel like the prudent choice. However, as AI adoption accelerates across the legal industry, the risks associated with inaction are becoming increasingly measurable. The challenge is no longer simply about keeping pace with technology—it is about maintaining operational efficiency, profitability, and competitiveness in a rapidly evolving market.

Firms leveraging AI are streamlining workflows, reducing administrative burdens, accelerating legal work, and creating capacity without proportionally increasing headcount. Those that delay adoption risk leaving meaningful efficiency gains and cost savings unrealized while competitors continue to improve service delivery and operational performance.

The impact extends beyond productivity. As AI-enabled workflows become more prevalent, traditional assumptions about the billable hour, staffing models, and matter economics are beginning to shift. Firms that fail to adapt may face increasing pressure on both top-line revenue growth and bottom-line profitability as clients demand greater efficiency, transparency, and value from their legal service providers.

FOR FIRMS OF ALL SIZES, THE IMPERATIVE IS CLEAR:

The risk of strategic AI investment is manageable through effective governance, while inaction is a compounding risk to firm performance and relevance.

240

Hours Saved Per
Legal Professional
Each Year Through
AI Adoption

38%

Faster Task
Completion for
Firms Using AI

Up to
40%

Reduction in
Routine Workload
for Junior Staff
with AI Adoption



Three Challenges Defining the Path Forward

Accepting the imperative to act is only the first step. The harder work lies in navigating the three interconnected challenges that determine whether AI investment translates into lasting value: deciding what to implement, determining where to build versus buy, and establishing how to govern AI at enterprise scale. Each challenge demands strategic clarity, and the firms that address all three in concert will be the ones that pull ahead.

CHALLENGE I: WHAT TO IMPLEMENT

BUILDING A RATIONALIZED AI STRATEGY

The most common misconception with AI is that adoption is simply a software procurement exercise rather than a strategic initiative. Thomson Reuters research found that while 80% of legal professionals expect AI to be transformative, only 22% of firms have a visible AI strategy. The impact of this gap is clear: 73% of legal AI implementations fail to meet ROI expectations within their first 18 months. The gap between investment and impact is not about the technology itself – it is about how firms approach adoption, manage change, and measure success.

80%

Legal Professionals
Expect AI to be
Transformative

22%

of Firms Have
a Visible AI
Strategy

73%

of Legal AI
Implementations
Fail to Meet ROI

AI as the Foundation of Future Firm Operating Models

Leading firms understand that AI is not an add-on to existing processes; it is infrastructure that reshapes the operating model itself. The shift is from “How can AI help us do this faster?” to “How should we restructure this work to maximize AI value?” This means redesigning document review processes around AI capabilities rather than fitting AI into existing workflows, restructuring research methodologies to leverage AI insights rather than simply accelerating traditional approaches, and rethinking staffing models to reflect the changing nature of work that AI enables.

The firms that succeed treat AI strategy as inseparable from firm strategy. Technology serves the vision rather than driving it – enabling the firm to focus on what matters most: exceptional, differentiated legal service delivery.

Strategy Before Technology

The most effective firms are going beyond tool procurement by building rationalized AI strategies that align with the broader firm vision and account for AI’s growing prevalence in the future of law firm operating models. This requires answering fundamental strategic questions before evaluating any vendor:

- **VISION:** How is AI going to transform the way firms interact internally, with clients, and position themselves in the market?
- **ALIGNMENT:** How does AI investment connect to the firm’s three- to five-year business objectives – growth, profitability, market positioning, talent development?
- **READINESS:** What organizational changes – incentive structures, workflow redesigns, training programs – are required to extract value from AI tools?
- **PRIORITIZATION:** Which practice areas, workflows, or client needs should AI address first, and where is the ROI clearest?
- **MEASUREMENT:** What specific, measurable outcomes will define success – time savings, client satisfaction, revenue per lawyer, matter profitability?

CHALLENGE II: AI TOOLING

NAVIGATING THE AI TOOLING LANDSCAPE

As firms move from experimentation to implementation, they inevitably encounter a critical decision: where to invest across the spectrum of AI tooling. We evaluate AI capabilities in two primary categories: generalist tools and specialized legal AI software, both of which must be evaluated and planned for across firm operations.

Generalist AI Tools for Non-Legal Productivity

A growing category of broadly available AI tools addresses productivity needs that are common across industries, not unique to legal practice. These include:

- AI-assisted email drafting, meeting summarization, and calendar management
- Marketing content generation and client communications
- General document drafting and editing
- Administrative workflow automation and internal knowledge management
- Sales enablement and business development support

These tools – platforms like Microsoft Copilot, Google Gemini, and similar enterprise AI assistants – raise the productivity floor for the entire firm. They are widely available, relatively affordable, and can ease firm adoption of AI tools in routine business operations. Their value lies in firm-wide adoption for non-substantive work, freeing attorneys and staff to focus on higher-value legal tasks.

Specialized AI Tools for Legal-Specific Functions

A second, increasingly mature category of AI tools is purpose-built for specific legal functions. These tools are trained on legal data, designed for legal workflows, and address the accuracy, confidentiality, and compliance requirements unique to legal practice. Key categories include:

- **LEGAL RESEARCH:** AI-powered legal research platforms with citation verification and hallucination safeguards
- **CONTRACT REVIEW AND DRAFTING:** Intelligent contract analysis, clause extraction, and redlining tools
- **EDISCOVERY AND DOCUMENT REVIEW:** AI-driven document review, predictive coding, and privilege detection for litigation
- **DUE DILIGENCE:** Automated due diligence review and risk assessment for M&A and compliance
- **BILLING AND PRACTICE MANAGEMENT:** AI tools for time capture, billing optimization, and matter profitability analysis

Leading organizations are pursuing both strategies simultaneously—deploying general-purpose AI tools to improve firm-wide productivity while investing in specialized legal AI solutions to address legal-specific workflows. Together, these capabilities create a more comprehensive AI ecosystem that supports both operational efficiency and legal service delivery.

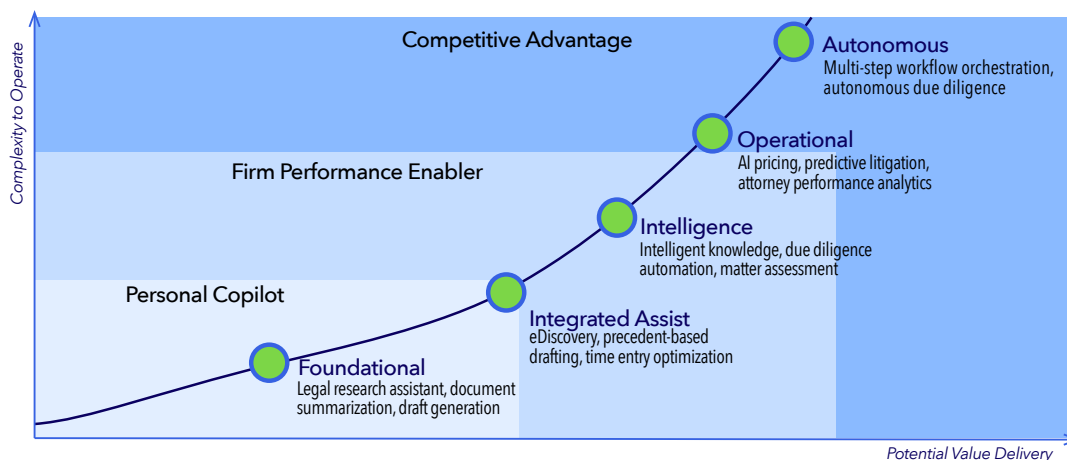
Evaluating the Cost of Ownership and Value Delivered

Regardless of category, the value of each tooling implementation must be justified by its total cost of ownership and the measurable value it provides. As value potential increases, many use-cases increase in complexity and cost of ownership, therefore commitment to governance and enablement must be operationalized. Firms that are serious about AI as a transformative lever are equally serious about right-sized AI governance and leadership.

The evaluation of value, impact, and cost should extend beyond licensing fees to encompass:

- Training, change management, and ongoing user enablement costs
- Workflow integration and IT support overhead
- Security, compliance, and vendor management burden
- Measurable impact on productivity, quality, client outcomes, and profitability

The most disciplined firms evaluate every AI tool against a clear rubric: Does it integrate with our existing tech stack? Does it deliver a provable ROI? Does it address a defined use case without duplicating capabilities we already have? Tools that cannot answer these questions affirmatively should be reconsidered before adoption.



CHALLENGE III: HOW TO GOVERN THE AI OPERATING MODEL

Acquiring AI tools without a governance framework is like purchasing sophisticated equipment without an operating manual – the potential for value is high, but so is the potential for misuse, waste, and risk. Effective AI governance is the operating system that transforms technology investments into sustainable business outcomes.

Why Governance Is Now Non-Negotiable

Three forces have converged to make formal AI governance a commercial and professional requirement in 2026:

- **BAR GUIDANCE HAS CRYSTALLIZED.** The Florida Bar, California State Bar, New York State Bar Association, and the ABA have all published formal opinions or guidance on lawyer use of generative AI, addressing duties of competence (Model Rule 1.1), confidentiality (1.6), supervision (5.1, 5.3), and reasonable fees (1.5).
- **CLIENT EXPECTATIONS DEMAND IT.** Major financial-services and healthcare clients now include AI-use questionnaires in panel reviews. Firms without documented policies score poorly in competitive processes.
- **RISK OF LIABILITY FOR AI INACCURACIES.** Courts recorded 487 AI error incidents in 2025 – ten times the 2024 total – underscoring that reliability concerns are real and consequential. Obligations under the EU AI Act are now enforceable, with material consequences for firms serving international.
- **AI TOOLING IS LARGELY DEPENDENT ON FIRM DATA,** and requires in-depth oversight and management of AI data storage, consumption, and security to maintain confidentiality and protect IP. Without effective security protocols in place, firms risk data exposure, loss of proprietary knowledge, and reputational harm.

487

AI Error Incidents
Recorded by Courts
in 2025

10x

Increase
vs. 2024

The Pillars of an Effective AI Operating Model

A strong AI governance operating model addresses five interconnected domains:

- 1. USE CASE PRIORITIZATION.** Not every AI application deserves the same investment or scrutiny. Effective governance distinguishes between high-impact, low-risk use cases (such as document summarization or scheduling) and high-stakes applications (such as privileged communications or court filings). A structured prioritization framework ensures that resources flow to the initiatives with the greatest strategic value and clearest path to ROI.
- 2. ETHICAL COMPLIANCE AND PROFESSIONAL RESPONSIBILITY.** AI governance in legal must be grounded in the profession’s binding ethical obligations. This includes ensuring competence in understanding AI tools and their limitations, maintaining confidentiality through rigorous vendor diligence and data controls, supervising AI-assisted work product, and maintaining candor to tribunals by verifying all AI-generated citations and legal authorities. ABA Formal Opinion 512 (2024) makes clear that lawyers must supervise and verify AI outputs to protect clients and uphold professional standards.
- 3. DATA CONTROLS AND SECURITY.** Every AI tool that touches client data represents a potential attack vector and compliance obligation. Governance must establish clear data sensitivity tiers – from public information to privileged communications – with defined controls for each tier. Vendor diligence should address data retention, training rights, sub-processors, encryption, certifications, and incident history.

4. ADOPTION OVERSIGHT AND ENABLEMENT.

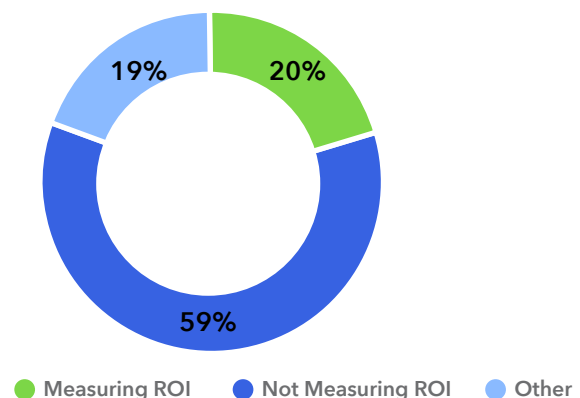
Purchasing licenses does not create lasting change. Fewer than half of legal professionals report being trained on how to use AI in their practice, yet 95% believe generative AI will be central to workflows within five years. Effective governance includes role-specific training, workflow integration support, ongoing competency development, and mechanisms to identify and address shadow AI use – where attorneys use unapproved personal tools because the firm has not provided adequate alternatives.

5. ROI MANAGEMENT AND CONTINUOUS OPTIMIZATION.

Only 20% of organizations are currently measuring generative AI ROI, with 59% not measuring at all. Without systematic measurement, firms cannot distinguish between tools that deliver value and tools that merely consume budget. Governance should establish clear metrics – time savings, quality improvements, client outcomes, matter profitability – and create feedback loops that drive continuous optimization and inform future investment decisions.

Generative AI ROI Measurement

How organizations currently measure AI return on investment.



THOMSON REUTERS



AI Guiding Principles for Law Firm Leaders

The challenges outlined above are complex, but the firms navigating them most effectively share a common foundation: a clear set of guiding principles that shape every AI decision – from vendor selection to governance design to change management. The following principles are distilled from the strategies of high-performing firms and the lessons of those that have struggled.

PRINCIPLE 1: LESS IS MORE CONSOLIDATION OVER PROLIFERATION

One of the most counterintuitive truths of the current AI landscape is this: more tools will almost always deliver lower value than a focused portfolio of broadly adopted, highly leveraged AI toolsets that functionally integrate AI into the firm operating model. The proliferation of AI tools - "AI tool sprawl" - is one of the most significant and underappreciated threats to AI ROI in legal today.

The visible cost of tool sprawl is the subscription bill. The far larger invisible costs include:

- **EXPANDED SECURITY SURFACE AREA.** Every additional vendor is another attack vector, another set of credentials, another data processing agreement.
- **FRACTURED WORKFLOWS.** Disparate tooling increases workflow and adoption complexity - decreasing value delivery to the firm.
- **GOVERNANCE COMPLEXITY.** Each new AI platform introduces different data policies, security risks, and billing considerations. The governance burden grows exponentially with each additional tool.

The strategic imperative is clear: invest in fewer, better-integrated tools; drive broad adoption through training and workflow redesign; measure value rigorously; and resist the temptation to add tools without first proving that existing capabilities have been fully leveraged. **Consolidation is not about limiting innovation – it is about concentrating impact.**

728
Legal AI
Solutions

102
AI Legal
Assistants

84
Litigation
Tools

90
New Tools
Added In One
Quarter

PRINCIPLE 2: STRATEGY FIRST, TECHNOLOGY SECOND

Every AI investment should trace directly to a firm-level strategic objective. If a proposed tool or initiative cannot be mapped to a specific business outcome – improved client delivery, increased profitability, enhanced talent development, reduced risk – it should be deprioritized until that connection is clear. Technology serves the vision; the vision must never be shaped to justify the technology.

PRINCIPLE 3: GOVERNANCE ENABLES INNOVATION UNCERTAINTY BREEDS CONSTRAINT

The firms with the strongest governance frameworks are also the firms innovating most aggressively. Governance provides the guardrails that allow attorneys to adopt AI confidently, knowing that data is protected, compliance obligations are met, and professional responsibilities are upheld. Without governance, innovation stalls – not because of policy, but because of uncertainty, inconsistency, and unmanaged risk.

How Frontline Can Help

AI Strategy Assessment & Planning: Validate or develop AI strategy against firm priorities and ensure use case alignment with organizational needs and governance. Tie use cases to a firm business case.

AI Readiness Assessment: Evaluate organizational interactions, role-based skills & capabilities, and governance structures to develop a sequenced AI adoption plan to maximize ROI

AI Transformation Services: Stand up a transformation oversight function to support governance, policy, portfolio monitoring, and use-case prioritization. Enable clear executive visibility into ROI, risk, and decisioning to maximize AI as a strategic lever for the firm.

**UNSURE WHERE TO START? BOOK A 30-MINUTE
AI REVIEW TODAY AND SET A CLEAR PATH FORWARD.**

Conclusion: From Experimentation to Execution

The AI transformation of the legal industry is not a future event – it is the present reality. Adoption has crossed the threshold from novelty to normality, and the gap between firms that approach AI strategically and those that do not is widening rapidly.

The firms that will lead in the years ahead share a common approach: they treat AI not as a technology purchase but as a business transformation. They develop an AI-enabled vision for the firm that informs tooling and change management investment, and establish strong governance to transform with clarity.

For law firms of all sizes, the path forward requires leadership, intentionality, and a willingness to rethink not just what tools to buy, but how work itself is structured, measured, and delivered. The cost of inaction is too high. The opportunity for those who act strategically is significant – and the window to establish competitive advantage is narrowing.

Frontline Managed Services partners with law firms to navigate this transformation – from AI strategy development and governance design to implementation support and adoption enablement. We bring the operational expertise and industry perspective to help firms move from experimentation to execution, ensuring that AI investments translate into measurable business value and sustainable competitive advantage.

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About Frontline Managed Services

Frontline Managed Services is a leading managed services provider purpose-built for the legal industry. Trusted by 900 law firms, including 50% of the Am Law 200 and 28% of the Am Law 50, Frontline helps firms modernize, secure, and optimize the technology, operations, and financial processes that power firm performance.

With deep legal industry expertise and a full suite of advisory, consulting, and managed financial and operational services, Frontline helps law firms work smarter, reduce risk, protect profitability, and grow with confidence.

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