New Survey Data from LexisNexis Points to Seismic Shifts in Law Firm Business Models and Corporate Legal Expectations Due to Generative AI

Nearly half of law firm leaders are exploring new lines of business or billable opportunities as a result of generative AI technology

NEW YORK, January 31, 2024 – LexisNexis® Legal & Professional, a leading global provider of information and analytics, today released results from a survey of senior leadership at top U.S. law firms and legal professionals at Fortune 1000 companies. The survey was conducted to better understand the business impact of generative AI technology on the legal industry and how it is redefining itself.

Rapid Uptake and Generative AI Investments

Nearly all the legal executives surveyed expect their investment in generative AI technologies to increase over the next five years (90%). The survey found that 53% of Am Law 200 firms have purchased generative AI tools and 45% are using them for legal work. 43% of Am Law 200 leaders indicated their firm has a dedicated budget to invest in the growth opportunities presented by generative AI in 2024.

Reshaping the Law Firm Business Model

Generative AI is presenting opportunities for law firms to create value for their corporate legal clients through new lines of business and strategic services. 70% believe these solutions will enable new value-added work product for clients, with about a third (30%) expecting these solutions to result in a direct impact on firm revenue. Nearly half of law firm leaders are currently exploring new lines of business or billable opportunities made possible by generative AI technologies (47%). Regarding the bottom line, nearly half (47%) expect to achieve a reduction in costs from the use of generative AI solutions.

More Fortune 1000 executives expect generative AI to produce value for their organizations, with three-quarters (76%) expecting cost savings for their legal departments and 72% expecting the technology to increase the ability to complete more work in-house.
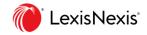
"Generative AI has tremendous potential to transform law firms' business models and create new forms of value for their clients," said Sean Fitzpatrick, CEO of LexisNexis North America, UK, and Ireland. "We are working closely with customers to integrate our leading generative AI tools into their workflows to drive unprecedented efficiencies and quality for both law firms and corporate legal departments."

Gap in AI Expectations

Fortune 1000 in-house counsel have higher expectations regarding the use of generative AI in law firms than Am Law executives.

The biggest gap exists around expectations for changes in billing. The majority of Fortune 1000 executives expect to see a reduction in billing from outside counsel due to efficiencies created by generative AI (80%). However, corporate clients have not communicated those reduced billing expectations to law firms. While 43% of law firms agreed with the statement that generative AI will reduce billable hours, only 9% of large law firm leaders indicated their corporate clients have told them they expect their firm bills to be reduced as a result of generative AI, and few firms (11%) are changing or planning to change their billing practices.

While two-thirds of in-house counsel approve of law firms using generative AI in legal matters, only a third of law firm leaders believe their corporate clients approve of this use.

The smallest gap in expectations is seen regarding the use of generative AI and other cutting-edge technology at law firms, as a majority of both groups believe corporate clients expect this from their outside counsel.

Hiring Trends

Both large law firm and corporate respondents believe generative AI technology will impact hiring, with 27% anticipating increased hiring of technologists in 2024, led by 38% of Am Law 200 leaders expecting to increase hiring of technologists, such as data scientists, to support generative AI initiatives at their firms this year. Significantly fewer respondents in non-Am Law firms with 50+ attorneys anticipate hiring additional technologists in 2024 (14%).

The survey reveals a clear divide between Am Law 200 and next tier law firms in their plans to hire more technologists to support generative AI initiatives. While nearly 40% of the largest firms (Am Law 200 leaders) expect to increase hiring in this area in 2024, only 14% of non-Am Law firms plan to do so. This suggests that the largest firms are more aggressively investing in generative AI technology and the talent needed to implement it effectively. The gap indicates that smaller firms may risk falling behind on generative AI adoption without a similar focus on hiring technical experts, even though all respondents agree this technology will have a positive impact overall.

While a majority of law firm respondents believe generative AI will impact the apprenticeship model of large law firms (58%), only a small number of legal leaders expect a reduction in legal roles over the next five years, although one in five Am Law 200 executives predict a reduction in the need for associates.

Legal Analytics and Generative AI

Lex Machina's recently completed *2024 Legal Analytics Survey* found similar results, where 68% of legal professionals using legal analytics in their practice expressed the most excitement and preparedness for generative AI. Twice as many legal analytics users were excited for generative AI compared to non-users (65% to 31%). Additionally, twice as many legal analytics users felt prepared for generative AI compared to non-users (57% to 24%). The survey results indicate that not only is generative AI at the forefront of the minds of the majority of legal analytics users, but also that there's a positive correlation between the adoption of legal analytics and the readiness to incorporate generative AI in legal practice.

Methodology
LexisNexis Legal & Professional conducted the survey across 266 managing partners and C-suite leaders at Am Law 500 firms, as well as legal professionals in Fortune 1000 companies between December 6, 2023 and January 9, 2024. Findings include responses from 114 executives across 68 Am Law 200 firms, 102 executives across 79 non-Am Law 200 firms with 50 or more attorneys, and 50 executives across 44 Fortune 1000 companies. Surveys were conducted in English via the Forsta survey platform.

For more information on leading legal AI tools from LexisNexis and to download a copy of the survey results, visit www.lexisnexis.com/genai.

About LexisNexis Legal & Professional
LexisNexis® Legal & Professional provides legal, regulatory, and business information and analytics that help customers increase their productivity, improve decision-making, achieve better outcomes, and advance the rule of law around the world. As a digital pioneer, the company was the first to bring legal and business information online with its Lexis® and Nexis® services. LexisNexis Legal & Professional, which serves customers in more than 150 countries with 11,300 employees worldwide, is part of RELX, a global provider of information-based analytics and decision tools for professional and business

customers.

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