

BUSINESS DEVELOPMENT AND LEGAL SPEND ANALYTICS: THE TWIN ENGINES OF AI-DRIVEN GROWTH FOR LAW FIRMS

Lana Manganiello, Founder of Practice Growth Partner

Nancy B. Rapoport, UNLV Distinguished Professor & Garman Turner Gordon Prof. of Law, Boyd School of Law, University of Nevada-Las Vegas

Joseph R. Tiano, Jr., Esq. — Founder and President of Legal Decoder, Inc.

Generative artificial intelligence (GenAI) has moved from distant horizon to daily reality with startling speed. It presents both an existential threat and a transformational growth opportunity for law firms. Capabilities like original drafting, automated due diligence and document review, tech-enabled document summarization, and agentic research are poised to shrink the billable hours historically devoted to routine tasks, threatening the revenue model that has sustained the legal profession for decades.¹ At the same time, the very tools that threaten the billable hour also unlock faster insights, deeper analytics, and entirely new advisory domains—advantages and services that clients will pay a premium to secure.² The firms that thrive will be those that recognize GenAI not as a zero-sum substitution for human expertise, but as a catalyst for reinventing what legal services can deliver and for creating new ways to measure value. For law firms, there are really two possible outcomes: either GenAI becomes a margin eroder or a growth accelerator. In our view, the ultimate outcome will depend on the degree to which law firm leaders integrate two disciplines in law firms that normally co-exist without much, if any, strategic interaction: business development and legal spend data analytics.

¹ See, e.g., Nancy B. Rapoport & Joseph R. Tiano, Jr., *Fighting the Hypothetical: Why Law Firms Should Rethink the Billable Hour in the Generative AI Era*, 20 WASH. J. L. TECH. & ARTS 41 (2025); Nancy B. Rapoport & Joseph R. Tiano, Jr., *Reimagining “Reasonableness” Under Section 330(a) in a World of Technology, Data, and Artificial Intelligence*, 97 AM. BANKR. L.J. 254 (2023) (hereinafter “*Fighting the Hypothetical*”). See also Robert J. Couture, *The Impact of Artificial Intelligence on Law Firms’ Business Models*, Harvard Law School Center on the Legal Profession (Feb. 25, 2025), <https://clp.law.harvard.edu/knowledge-hub/insights/the-impact-of-artificial-intelligence-on-law-law-firms-business-models/> [<https://perma.cc/CAW4-NDS8>]. For a discussion on how GenAI promises to change the inhouse legal department world, see Deloitte, *How Generative AI Is Changing Legal Department Functions* (Sep. 6, 2024), <https://deloitte.com/global/en/services/legal/perspectives/how-generative-ai-is-changing-legal-department-functions.html> [<https://perma.cc/4KR8-WAB9>].

² ACC RESEARCH, GENERATIVE AI’S GROWING STRATEGIC VALUE FOR CORPORATE LAW DEPARTMENTS — SURVEY RESULTS, ASS’N CORP. COUNS. (Apr. 14, 2024), <https://www.acc.com/generative-ais-growing-strategic-value-corporate-law-departments-survey-results> [<https://perma.cc/2ZDW-RFV6>].

Most sophisticated businesses outside the professional services space (*e.g.*, technology, manufacturing, healthcare, financial institutions, construction, and the like) integrate the business development function with the data analytics and business intelligence team, thereby tying together sales and marketing with data functions. These businesses rely on data analytics to track their sales performance. They collect information on transactions, revenue, and customer purchases to understand what's working. These same businesses then use their sales data to measure marketing return on investment, connecting their advertising and promotional spending to actual revenue outcomes.

News flash: Law firms don't operate like normal businesses.³

Unlike the rest of the business world, law firms commonly maintain an insular, fragmented operational structure in which departments (*e.g.*, finance, marketing, IT, human resources, risk management, and professional development) operate as discrete silos with only minimal cross-functional collaboration. This organizational disconnect means that client-facing innovations that the marketing department develops may never reach the technicians who could automate the delivery of those innovations, while the training priorities that the professional development department identifies may remain unknown to the knowledge management team that is building new practice management systems. The result is missed opportunities for synergy and a persistent inability to leverage institutional knowledge across departmental boundaries.⁴

This structural fragmentation is a direct consequence of how resources flow within most law firms. In an "eat-what-you-kill" compensation model, the partners with the largest books of business—or the practice groups with the highest profit margins—command disproportionate access to firm resources, from dedicated staffing to technology budgets to business development investments. High-performing segments naturally prioritize tools and support that advance their immediate needs, leaving smaller practices or emerging service lines chronically under-resourced. The firm's business, therefore, defaults to reactive support rather than strategic enablement. What works brilliantly for one practice group may never reach another practice group, not because it wouldn't add value there, but because no mechanism exists to share resources equitably or build capabilities that transcend the interests of the most economically influential practice groups. When

³ As if you didn't know that already.

⁴ Several industry commentators espouse the benefit of vertical integration in the service delivery aspects of law firm management. *See, e.g.*, Richard Susskind & Neville Eisenberg, *Vertically Integrated Legal Services*, HARV. L. SCH. CTR. ON LEGAL PRO., (May/June 2021) <https://clp.law.harvard.edu/article/vertically-integrated-legal-service/> [<https://perma.cc/M9YE-T525>]. We think principles of vertical integration equally applies for internal firm management functions, like data analytics, knowledge management, marketing and business development, as well.

designing and deploying a GenAI strategy, it is critical to account for the “more equal partners and less equal partners” phenomenon.⁵

But the consequences of this phenomenon extend beyond internal firm politics and operational inefficiency. When business units can’t collaborate effectively, law firms struggle to respond to market shifts that demand coordinated action. The emergence of GenAI has created a seismic shift for all industries, but especially for the legal industry, which has successfully⁶ resisted disruption of its business and operating models for decades.

In the face of inevitable disruption that GenAI will create for law firms, the smart money says that a law firm’s strategic roadmap around GenAI will dictate its future. Indeed, law firms must address how to integrate GenAI tools across practice areas, develop unified client experience strategies, and build the data infrastructure necessary for competitive pricing models.⁷

If, in the age of artificial intelligence, law firms continue to operate in an insular, fragmented operational structure, they will face persistent, perhaps insurmountable, challenges. If, on the other hand, law firms adapt their operational and pricing models to address GenAI’s impact, they can thrive. But firms must start by developing a GenAI roadmap that creates a unified strategy with respect to data analytics and business intelligence, on the one hand, and the client growth strategy, on the other hand. A GenAI strategy that omits either discipline or leaves each mission to operate on its own is fatally flawed. Law firms simply can’t thrive in the GenAI era if these two operating divisions have disparate missions and are charged with achieving unrelated goals. Only a unified GenAI strategy that marries the business intelligence and data analytics function with the client growth strategy can transform a firm’s current existential risk into a sustainable competitive advantage.

⁵ Cf. GEORGE ORWELL, ANIMAL FARM 134 (1946) (“All Animals Are Equal. But Some Animals Are More Equal Than Others.”) Our assumptions here may not apply to those few firms that still believe in lockstep partner compensation; however, recent reports indicate that Am Law 200 firms have been moving away from traditional, lockstep partner compensation. See Gina Passarella Cipriani, *Innovation in Big Law Partner Compensation Models*, (May 15, 2025, at 18:19), <https://www.law.com/pro/2025/05/15/innovation-in-big-law-partner-compensation-models/> [<https://perma.cc/B3KB-7XCL>]; see also Andrew Maloney & Christine Simmons, *Law Firms Tweak Compensation to Reward ‘Future Superstars’ and Top-Performers*, (Feb. 20, 2025, at 05:57) <https://www.law.com/international-edition/2025/02/20/law-firms-tweak-compensation-to-reward-future-superstars-and-top-performers/?slreturn=20250514110216> [<https://perma.cc/7WHB-KSSX>].

⁶ Or, more accurately, stubbornly.

⁷ See Rapoport & Tiano, Jr., *supra* note 1.

FROM DISRUPTION TO DIFFERENTIATION: TOUTING THE FIRM'S STRATEGIC USE OF GENAI

Generative Artificial Intelligence as a Value Driver

The most immediate opportunity for law firms lies in repositioning GenAI from a back-office novelty to a front-of-house differentiator,⁸ and law firms that have already figured this out are making the news.⁹ Clients want outcomes—faster case resolutions, better risk management frameworks, and data-driven predictions—not a scroll of billable-hour time entries to read every month. By embedding GenAI into the service delivery process, firms can reframe engagements around solutions and client value rather than labor input.¹⁰

Think of it this way: you don't want to pay your car mechanic based on how long it takes to fix a tricky problem. You want that problem fixed as fast as possible and done right. When clients aren't paying by the hour, they simply don't think much about the time that it takes to complete a legal task. If a deliverable is due in three days and a client isn't paying by the hour, that client won't care if the firm

⁸ See, e.g., Scorpion, *Exceeding Modern Client Expectations: The Tech-Driven Transformation of Law Firms*, A.B.A. (Dec. 16, 2024), https://www.americanbar.org/groups/law_practice/resources/law-technology-today/2024/the-tech-driven-transformation-of-law-firms/ [<https://perma.cc/6YJ5-HGCW>] (“Research shows that clients frequently choose the first firm that responds to their inquiry. For law firms, this means that a quick, effective reply can make the difference between gaining a client and losing one to a competitor.”).

⁹ See, e.g., Noemi Distefano, *AI in big law: ‘Our trajectory is nearly vertical’*—Orrick, IFLR (Nov. 24, 2025), <https://www.iflr.com/article/2fmrqpjq3ko2cgxqv5beo/corporate/m-a/ai-in-big-law-our-trajectory-is-nearly-vertical-orrick> [<https://perma.cc/LWZ7-3BA4>]; Caroline Hill, *Ashurst Launches Global Harvey Partnership Following Firmwide Trial*, LEGAL IT INSIDER (June 25, 2024), <https://legaltechnology.com/2024/06/25/ashurst-launches-global-harvey-partnership-following-firmwide-trial> [<https://perma.cc/3T3P-NS8M>]; Fatima E, *The BigLaw Firms Leading the Charge on Generative AI in Litigation*, JD J.: LEGAL NEWS (Oct. 12, 2025) <https://www.jdjournal.com/2025/10/12/the-biglaw-firms-leading-the-charge-on-generative-ai-in-litigation/> [<https://perma.cc/SMJ2-5D5M>] (“Corporate legal departments are increasingly prioritizing firms that not only understand generative AI but also deploy it responsibly to deliver faster, more data-driven results. As litigation becomes more complex and data-heavy, clients value firms that can leverage AI for early case assessment, evidence review, and even predicting judicial behavior based on past rulings.”).

¹⁰ As we've said in a previous article, “[i]f the value is large enough, the fact that it took the lawyer less time to provide that value shouldn't prevent the lawyer from charging a reasonable fee, even without billing by the hour.” Rapoport & Tiano, Jr., *supra* note 1, at 87 (footnote omitted).

spent one hour on the deliverable or 72 hours¹¹ as long as the firm produced a competent and timely deliverable.¹² Clients want “lawyers [who] focus on the value that they add when ‘advanc[ing] a meaningful client goal while alleviating the client’s burden.’”¹³ After all, clients aren’t buying the firm’s time *qua* time; they’re buying the firm’s knowledge, skill, and judgment. And in a perfect world, clients would like to be able to budget for that knowledge, skill, and judgment by knowing the costs in advance. GenAI-driven repetitive work enables a law firm to tell its clients how much certain commodifiable work will cost, and firms will be able to say that the commodified work is being done better, faster, and cheaper because it is GenAI-enabled.

A law firm’s competitive edge derives from deploying GenAI to handle automation-ready tasks while packaging and branding these capabilities (*i.e.*, the commodifiable tasks) with carefully crafted business development messages that demonstrate the firm’s service-offering differentiation. A law firm’s competitive edge comes from using GenAI to accelerate and strengthen the work that can be automated, which frees lawyers to deliver more proactive, comprehensive, and strategic support. When firms present these enhanced capabilities through clear client-focused messaging, they show how their approach improves outcomes and distinguishes their services.

Showing the Value of GenAI Beyond Mere Cost Savings

The trajectory that our profession is on is clear. Clients are integrating GenAI into their daily operations at an accelerating pace.¹⁴ General Counsel and Chief Legal Officers (“CLOs”) are using GenAI tools to triage legal issues, draft initial documents, and analyze contracts before they ever pick up the phone to call their outside counsel.¹⁵ Corporate legal departments are building internal GenAI capabilities that fundamentally change their expectations of external law firms.¹⁶

¹¹ Though we hope that, in this hypothetical example, the lawyers involved took the time to get some sleep.

¹² And whether or not the firm is charging by the hour, it must perform its work competently and diligently. *See* MODEL RULES OF PRO. CONDUCT r. 1.1 & r. 1.3.

¹³ Rapoport & Tiano, Jr., *supra* note 1, at 87; *see also id.* at 89 n.193 (comparing a mechanic’s book rate to how lawyers could charge for projects).

¹⁴ One perplexing phenomenon we’ve discovered is that legal departments are often looking to their outside law firms to develop and execute an AI strategy for the client’s benefit. The irony is not lost on us that clients are looking to some of the most technologically backwards and dysfunctional organizations—law firms—for strategic guidance and implementation.

¹⁵ RYAN O’LEARY, GENERATIVE AI IN LEGAL 2024, IDC: RELATIVITY (Nov. 2024), <https://resources.relativity.com/rs/447-YBT-249/images/generative-ai-in-legal-2024-idc-study-commissioned-by-relativity.pdf> [<https://perma.cc/E5UP-DBRX>].

¹⁶ *Id.*

One of us recently had a conversation with a legal department vice president at a Global 50 company. The vice president asked the company's relationship partner at an elite, internationally known UK-based firm, which touted the firm's GenAI initiative in the media, why the GenAI initiatives weren't translating to lower outside counsel fees charged by the UK firm. The relationship partner didn't have an immediate answer. When pressed about the benefit inuring to the Global 50 client, the relationship partner said "well, AI is affording me more time to think about your matters." Wait—what? More time to think -- seriously? Is that *really* the business development differentiator that the UK Firm wishes to tout?¹⁷ There's a clear hole in the messaging that needs to go beyond a cost savings dialogue.

Indeed, one might think that corporate legal departments care *only* about potential cost savings when insisting that outside counsel adopt and implement GenAI tools on their matters. Sure, cost savings are a factor—a several-hundred-billion dollar per year factor across the legal industry as a whole. But corporate legal departments are thinking about GenAI adoption in additional ways—not just as a cost-cutting exercise, but as a strategic imperative to match the velocity of their own GenAI-transformed business operations. When R&D teams are using GenAI to compress product development cycles from years to months, and engineering teams are iterating those designs at unprecedented speed¹⁸, the legal function must accelerate or become the bottleneck that throttles revenue growth. In reality, GenAI adoption by outside counsel isn't just a mechanism for corporate legal to squeeze billing rates. It's about survival when serving an organization in which every other function, beyond its legal needs, is operating at GenAI speed.

Patent filings, licensing agreements, regulatory submissions, and other legal deliverables that once were processed on traditional timelines are now mission-critical path items that can't wait for conventional legal processes. This dynamic creates a cascading pressure throughout the legal supply chain. Outside counsel using traditional service delivery methods will find themselves unable to meet the turnaround expectations of clients whose businesses are moving at AI velocity. The cost savings are real but, in some instances, they are almost a (co-)incidental byproduct of efficiency rather than the sole driver.¹⁹

¹⁷ We're quite sure that the client on the receiving end of that statement wanted the relationship partner (and the whole firm) to think *faster*.

¹⁸ For a discussion of how AI is accelerating product development and release in the automotive industry, see Kimberly Borden, Sebastian Kuchler, Arturo Santos, & Carolin Dost, AUTOMOTIVE PRODUCT DEVELOPMENT: ACCELERATING TO NEW HORIZONS, MCKINSEY & CO. INSIGHTS: OPERATIONS PRAC. (Aug. 2025), <https://www.mckinsey.com/~media/mckinsey/business%20functions/operations/our%20insights/automotive%20product%20development%20accelerating%20to%20new%20horizons/automotive-product-development-accelerating-to-new-horizons.pdf?shouldIndex=false> [<https://perma.cc/N6NC-4UUB>].

¹⁹ See *2025 Generative AI in Professional Services Report: Executive Summary for Legal Professionals*, THOMSON REUTERS: LEGAL: ARTIFICIAL INTELLIGENCE (Apr. 15,

An organization's law department must move at the speed of the business; so, too, must outside counsel. When outside counsel is meeting those expectations of speed, that's what business development people call a market differentiator to be touted.

Our example of law departments and outside counsel lagging every other business function isn't a science fiction scenario—it's happening now. But it doesn't have to. There is a myriad of differentiators by which a law firm can meet a client's needs, not just around pricing, but with respect to turnaround speed, accuracy, and service delivery volume, as well. And as these different client demands bubble up, they create a stark choice for law firms: adapt and lead, or watch clients migrate toward firms that speak their language and match their technological sophistication. For those who are adapting and leading, telling the story of client value in the context of the law firm's innovative approach will result in business growth and enhanced profitability for the firm.

RECLAIMING THE WORK THAT CLIENTS DON'T WANT TO DO

In recent times, corporate legal departments have shown a strong trend toward insourcing work rather than outsourcing to law firms, with 66% of companies aiming to bring legal work in-house according to 2024 surveys.²⁰ This phenomenon has been driven by dissatisfaction with rising external counsel costs and enabled by advanced legal technology adoption. For example, if a legal department reviews thousands of contracts annually to check that certain clauses are in each of those contracts, GenAI can sift through the contracts in the blink of an eye. The simple, routine work, enhanced by AI, is easier to perform in-house, and the sunk costs of developing a legal department's automated drafting are justified by the drop in outside counsel spend. That company no longer needs a first-year associate to flip pages at hundreds of dollars an hour. This trend, though, may be rebalancing in 2025, as nearly 45% of CLOs report plans to increase outside counsel spending due to the rising complexity and volume of litigation and regulatory matters that overwhelm in-house resources.²¹ In other words, the

2025), <https://legal.thomsonreuters.com/blog/genai-report-executive-summary-for-legal-professionals-tri/#key-findings-from-the-new-report> [https://perma.cc/QK3T-2VR3] (reporting that 59% of corporate legal clients want their outside firms to use GenAI, reflecting client demand for technology-enabled speed and responsiveness amid accelerating business cycles as the #2 reason corporate legal wants outside counsel to use GenAI).

²⁰ *Id.*

²¹ *See, e.g.,* Robert Friedman, *In Shift, CLOs Are Increasing Their Outside Counsel Spend*, LEGAL DIVE: DIVE BRIEF (Jan. 29, 2025), <https://www.legaldive.com/news/in-shift-clos-up-outside-counsel-spend-acc-survey-2025/738655/> [https://perma.cc/6NLU-D9TH] (citing a 2025 Survey of the Association of Corporate Counsel at https://www.acc.com/sites/default/files/2025-01/2025_ACC_CLO_Survey_Key_Findings.pdf).

scutwork that justified BigLaw's pyramid structure is disappearing (the bad news) but in some areas, the work that BigLaw gets will be juicier and far more interesting (the good news).²²

An overburdened legal department may not have the staff to handle both unpredictable litigation and high-volume routine legal work. That department also might not want to do that work internally because it's a low value use of in-house expertise and resources. Even with the advantages of GenAI, a human must be part of the work product loop, and internal legal departments might have better uses for their own personnel than having them proofread commodifiable output.

When clients can't or don't want to handle routine legal work internally due to a professional preference or to resource or capacity constraints, the most strategic outside firms can use AI to efficiently reclaim this work as a strategic opportunity. Law firms can provide operational relief and predictability to overburdened in-house teams on routine matters (by pitching something like "our internal GenAI already does this for so many of our clients; let us do this work for you") while gaining access to broader streams of information that can be leveraged into better insights and stronger outcomes in complex matters (with a complimentary pitch like "now that we know that you prefer to outsource workstreams X and Y, here's how our firm could take that work off your hands"). The result is a virtuous cycle where clients receive the operational relief they desire while outside firms expand both their role and their strategic value.

GENAI AS A BUSINESS DEVELOPMENT DIFFERENTIATOR: PRACTICAL EXAMPLES

What does it actually look like when a law firm leverages GenAI for a business development advantage? Here are several concrete approaches that work effectively:

- **Client-Facing GenAI-Enhanced Services.** Some firms are developing GenAI-powered client portals that provide real-time matter status, predictive cost estimates, and early warning systems for legal risks. Imagine a client logging in to see not just invoices and documents, but AI-generated insights about regulatory trends affecting their industry or early identification of contract provisions that might need attention. This service transforms the law firm from a reactive service provider into a proactive strategic partner.

²² See Rapoport & Tiano, Jr., *supra* note 1, at 62–79. See also, Nancy B. Rapoport & Joseph R. Tiano, Jr., *Time's Up: Will Law Firms Say Goodbye To Billable Hour In The (Gen)AI Era?*, ABOVE THE LAW: BIG LAW (Feb. 18, 2025, at 15;16), <https://abovethelaw.com/2025/02/times-up-will-law-firms-say-goodbye-to-billable-hour-in-the-genai-era/> [<https://perma.cc/GRC9-8C4A>].

- **Demonstrable Efficiency Gains with Transparent Pricing.** Clients are skeptical of law firms claiming efficiency gains that never show up on their bills—just ask our vice president friend heading up litigation at that Global 50 client. Forward-thinking firms are using GenAI to compress timelines and reduce costs—and then to document those gains transparently. When you can show a client that your GenAI-assisted due diligence process completed in three days what traditionally took three weeks, and a calendar *plus* the invoice reflects that efficiency, you’ve created a compelling competitive advantage.
- **Proprietary Knowledge Management.** Law firms sit on decades of accumulated expertise locked in documents, deal files, and the institutional memory of their partners. GenAI enables firms to unlock this knowledge at scale. A firm that can instantly surface relevant precedents, comparable transactions, and lessons learned from its entire institutional history offers clients something genuinely differentiated—and something nearly impossible for clients to replicate internally.
- **Industry-Specific AI Solutions.** Rather than offering generic GenAI capabilities, some firms are developing tailored GenAI applications for specific industries or practice areas. A healthcare-focused firm might build GenAI tools specifically designed to navigate HIPAA compliance issues while providing patients with on-demand advice.²³ A real estate practice might develop GenAI-assisted due diligence tools calibrated to the unique risks in commercial property transactions. These specialized offerings will become business-development calling cards.
- **Client Collaboration on AI Implementation.** Some of the most interesting opportunities lie in partnering with clients on their own GenAI journeys. Law firms that can help clients think through the legal, ethical, and governance dimensions of GenAI implementation position themselves as indispensable advisors on one of the most consequential business decisions their clients face.

MAPPING TODAY TO FINANCE TOMORROW: THE DEFEND-EXTEND-CREATE FRAMEWORK

How does a law firm create a pitch to increase the amount of work that a client is willing to send its way? Any credible pitch must begin with determining the dynamics of a firm’s various revenue streams by practice area, phase and task, matter type, client segment, and geography. Sifting through time entries (a task better suited to GenAI than to a human) to identify the various component parts of a project’s workstream will help a law firm determine which work can be pulled

²³ In a recent CLE, Dmitri Ragano of Hoag Health Systems explained just how his employer does exactly that. *See* Fed. Bar Assn. 22nd Annual Bankruptcy Ethics Symposium (Nov. 21, 2025), at https://fbala.org/Documents/flyers/2025/20251121_194.pdf.

from humans and given to computers (as a first draft—humans still need to stay in the loop). A computer can do the monotonous work that often is little more than cut-and-paste or form-filling; a human can review that work product, fix any errors, and add any slight customization necessary. Other work involves a combination of judgment, experience, instinct, and people skills and will be safe from any “robot takeover.” Segmentation of the work into three tiers is a natural starting point when diagnosing where AI should fit into the service delivery equation. Once a firm figures out which tasks should go first to technology, first to a human, or first to a part-human/part-technology mix, the resulting legal spend analytics diagnostic can feed a resource allocation strategy with a powerful business development message for the firm to follow. More specifically, we think firms should give sincere consideration to a Defend-Extend-Create strategy²⁴:

- **Defend** the high-margin, bespoke tasks and matters that rely on deep judgment and established relationships, including work such as “bet-the-company” litigation, complex cross-border M&A, highly specialized regulatory counseling. These mandates remain largely immune to full automation but benefit from AI-enhanced insight and speed, especially in terms of basic discovery work (*e.g.*, document review, responses to interrogatories, drafting subpoenas, and writing *pro hac* motions). The overall brainstorming and strategy work needs experienced, talented lawyers. The scutwork only needs lawyers to review and edit the GenAI-produced drafts.
- **Extend** mid-margin tasks and matters. Such tasks include contract reviews, diligence, routine compliance filings—all matters in which GenAI can expand volume and reduce cost. A selling point for a law firm is its own internal AI platforms: thanks to economies of scale, once the law firm has developed the types of AI that can serve several clients’ needs quickly and accurately, an in-house legal department doesn’t have to develop its own, bespoke system. Once the cost of the legal fees is less than the savings of the in-house department’s time and attention, a law firm can make an attractive case for companies to outsource such work to them.
- **Create** entirely new offerings born of the GenAI era: model governance policies and advisories, algorithmic bias audits, data privacy by design, and emerging regulatory compliance programs. By tagging each revenue stream to Defend, Extend, or Create, firms can prioritize investments, steer talent, and stage AI rollouts with surgical precision. This framework becomes the foundation for both strategic planning and tactical execution.

²⁴ Lana J. Manganiello & Joseph R. Tiano, Jr., *Law Firms’ AI Strategies Need Development and Data Analytics*, Bloomberg Law: Legal Exchange: Insights & Commentary: Perspectives, (Nov. 24, 2025, at 02:30 MST), <https://news.bloomberglaw.com/legal-exchange-insights-and-commentary/law-firms-ai-strategies-need-development-and-data-analytics> [<https://perma.cc/UY2Z-3BC5>].

BUSINESS DEVELOPMENT: PRECISION TARGETING IN A GENAI MARKETPLACE

Progressive clients are favorably predisposed to GenAI use—both their own internal use and external use by their advisors. When a law firm’s business development strategy positions it in the decision path of clients who expect law firms to adopt GenAI, confront GenAI risk, and capitalize on GenAI opportunities,²⁵ economic prosperity is a logical conclusion.

CROSS-PRACTICE INTEGRATION AS A COMPETITIVE IMPERATIVE

Law firms have sought internal collaboration for years, but traditional pyramid models and compensation structures have not meaningfully incentivized such collaboration. But AI now makes collaboration imperative. Efficiency alone will

²⁵ Not to mention complying with state ethics rules regarding the reasonableness of fees. *See* Model Rules of Pro. Conduct r. 1.5. We’re only lukewarm about ABA Formal Opinion 512 (July 29, 2024). It gets most of the ethics rules right (confidentiality, competence, communication, candor to the tribunal, and supervision). But it goes bonkers when it fails to consider that law firms could switch from hourly billing to project billing for certain AI-based tasks:

The Opinion recognizes the need for a “reasonable allocation of expenses” with the use of GenAI, but not when factoring in other types of overhead. In some respects, the Opinion misapprehends the power of GenAI, dramatically understating its value to a client in terms of the nature and value of the tasks being automated. We’d agree that the cost of “word processing software to check grammar” is properly considered overhead insofar as it automates a task that can be completed by an astute high school sophomore. Though important, it’s ministerial in nature. By contrast, today’s GenAI is capable of performing much more sophisticated tasks, like document generation and first-pass discovery, that would otherwise require some modicum of legal training and acumen. Its value to a client is far higher than grammar check software. The way that the Opinion lumps them together under a single “overhead cost” category is “a swing and a miss” in our view. As it is legal in nature, the “cost” that is fairly passed onto clients is not akin to simple overhead. The value of the output produced should be viewed somewhere in the middle of a continuum of output from 100% off-the-shelf software (which is properly an “overhead cost”) and 100% human effort (which would be billed, these days, at \$X per hour). As such, logic dictates that a law firm is justified in charging more than a pass-through of overhead cost, but not as much as a fourth-year associate. But ethics issues aren’t the only problems that GenAI poses. There’s also the programmer’s motto of “garbage in, garbage out” and the problem of AI “hallucinations.”

Rapoport & Tiano, Jr., *supra* note 1, at 81 (footnotes omitted).

not sustain revenue—the path forward requires expanding the scope of work and integrating services around the client’s needs.

Cross-practice “go-to-market squads” must assemble integrated offerings—privacy, IP, employment, and governance—around the client’s AI challenges and opportunities. Firms that align corporate, IP, employment, risk, and dispute practices into coordinated offerings will deliver holistic solutions and superior results. Integration shifts from individual matters to orchestrating the client’s full legal landscape. It’s the playbook that the elite consulting firms like McKinsey, PwC, and Deloitte have followed forever—with resounding success.

True differentiation for a law firm’s GenAI strategy isn’t about having GenAI tools—it’s about integrating them seamlessly into the law firm’s methodology in ways that enhance rather than replace human judgment and in ways that enhance client value. Every firm eventually will have access to the same GenAI platforms. As revolutionary as they seem today, the reality is that ChatGPT, Claude, and industry-specific GenAI tools soon will become commoditized. The differentiator is how a firm deploys them within the firm’s proprietary approaches and frameworks. A firm’s business pitches should explicitly call out how it uses GenAI to enhance the work and where it considers human judgment to be essential. This transparency builds trust and demonstrates a firm’s sophistication.

THE NEW BUYER DYNAMIC

Many firms currently win work through fragmented relationships throughout the client’s organization or through procurement channels that, with or without GenAI, reduce legal services to commodities. Lawyer A knows Person B, Lawyer C knows Person D, and Lawyers A and C are disinclined to share origination points. When firms wrap their varied legal work into more holistic, cost-effective, and outcome-focused models, the buyer relationship fundamentally shifts. Instead of dealing with procurement managers, firm rainmakers increasingly engage with the C-suite and senior business executives who already think about integrated risk management and long-term outcomes.

This approach requires a different business development attitude—consultative, enterprise-level, and focused on demonstrating value across the client’s entire business, rather than individual matters. It returns lawyers to their status as counselors, rather than pieceworkers.

STORYTELLING AND EDUCATIONAL LEADERSHIP

These solutions are new territory for everyone involved. Law firm rainmakers must anchor their business development in the language of value rather than technology, but they must also engage in client education—helping clients

understand what these new models might look like, how they might work, and why they could create better financial decisions in terms of the client's legal spend.

Clients expect that the most advanced service delivery modalities will be employed without clients having to weigh in on the underlying code, algorithms, or language models. In a law firm's pitch, it will have to translate the firm's AI fluency into concrete business outcomes, building the credibility necessary to win engagements against the firm's less tech-savvy competitors. The smart law firm will provide a client with several examples of how its combination of AI-fluency and experienced practitioners saved time and money, and those examples will be part of a narrative that guides clients through the shift from more matter-by-matter work to comprehensive solutions.

A GO-TO-MARKET ROADMAP

For firms ready to pursue this opportunity, here's a practical roadmap for bringing a GenAI-driven business development strategy to market:

Phase One: Internal Foundation. Before a law firm can credibly market its GenAI capabilities, the firm needs to understand where to deploy GenAI in order to build genuine competence. Prioritization need not be limited to internal efficiency. The most strategic starting point is the intersection of three factors: where GenAI can materially enhance the work, where multiple practice areas touch the same client or industry, and where that client is a priority for the firm. Piloting in these zones creates both operational gains and cross-practice collaboration, which is the full-service differentiator most firms struggle to deliver. Beginning with clients who already rely on multiple practices allows the firm to demonstrate integrated value early and generate proof points that support a broader rollout. Pilot those GenAI tools with willing partners and associates,²⁶ document results rigorously, and develop internal expertise. This phase is about building the substance behind the marketing.

Phase Two: Client Listening Tour. When building internal capabilities, engage key clients in conversations about their own GenAI journeys. What tools are they using? What challenges are they facing? What would they value from outside counsel? This accomplishes two things: it positions your law firm as a thoughtful partner on GenAI issues, and it provides market intelligence to shape your offerings.

²⁶ See, e.g., Sara Merken & Mike Scarcella, *Law Firm's AI Experiment Gives Lawyers a Break from Billable Hours*, REUTERS (Nov. 6, 2025, at 11:30 MST) <https://www.reuters.com/legal/government/law-firms-ai-experiment-gives-lawyers-break-billable-hours-2025-11-06/> [<https://perma.cc/5BX4-AKYB?type=standard>] (“Starting now, [Ropes & Gray] said its first-year associates can devote nearly 400 hours of their annual billing requirements to experimenting with AI instead of charging time to clients.”).

Phase Three: Signature Offering Development. Based on the law firm's internal pilots and client intelligence, develop one or two signature GenAI-enhanced offerings. These offerings should be concrete, describable, and genuinely differentiated. Perhaps it's a GenAI-powered contract analysis service with guaranteed turnaround times. Perhaps it's a subscription-based legal monitoring service for a specific regulatory domain. The key is specificity: vague claims about "using AI" won't cut through the noise.

Phase Four: Thought Leadership Campaign. With substance in place, launch a coordinated thought leadership effort. This effort would include speaking engagements, published articles, webinars, and client alerts. The goal is to establish your law firm as a credible, knowledgeable voice on GenAI in your practice areas. Share case studies, discuss lessons learned, and engage substantively with the challenges of GenAI, and not just the opportunities. The goal is education, not promotion. Effective thought leadership explains how new models work, why they improve outcomes, and what clients should reasonably expect as legal services evolve. Sophisticated clients can spot empty marketing from a mile away.

Phase Five: Formalized Business Development Integration.

The firm's AI capabilities must be embedded into how it sells, prices, and positions its services. Partners and business development teams should be equipped to speak clearly about outcomes, not tools. The message shifts from "we use AI" to "here is how we deliver faster, more predictable, and higher-quality results." GenAI-enabled case studies can appear in pitches and RFPs, highlighting measurable improvements in speed, risk identification, or cost certainty. Pricing models align with these workflows through fixed fees, subscriptions, or outcome-based structures that reflect value delivered rather than time spent. Finally, firms should focus these offerings on the clients and industries most likely to value AI-enabled efficiency and insight. At this stage, GenAI is simply part of how the firm does its work, as it's embedded in processes and workflows; its value is reflected in the outcomes delivered to clients.

Phase Six: Continuous Evolution. The GenAI landscape is evolving rapidly. Firms that succeed will be those that treat GenAI capability as an ongoing investment, not as a one-time purchase. Establish processes for evaluating new tools, gathering client feedback, and updating your offerings. The firms that rest on early success will quickly find themselves overtaken.

ECONOMIC MODELING: MONETIZING EFFICIENCY WITHOUT CANNIBALIZING REVENUE

The traditional hourly model punishes the very efficiency that GenAI delivers.²⁷ Compressing a 40-hour diligence project to four hours slashes revenue, unless the firm’s pricing model evolves. Modernized economics and surrounding business development messages must pivot from effort to value:

- **Fixed or capped fees** for standardized, GenAI-enabled processes give clients price certainty while allowing firms to retain a portion of the productivity surplus.
- **Subscription or retainer models** convert episodic matters into recurring revenue streams—continuous contract-risk monitoring, quarterly algorithmic bias assessments, or evergreen regulatory updates.
- **Outcome-based or success fees** align incentives for disputes, enforcement actions, or complex transactions whose AI-accelerated timelines allow firms to shoulder more risk for greater upside.

REFRAMING THE EFFICIENCY CHALLENGE

Here’s where law firms need a mindset shift. Yes, GenAI will make certain tasks more efficient. Yes, that efficiency means some work that used to take 40

²⁷ See A.B.A. Comm. on Ethics & Pro. Resp., Formal Op. 512 (2024) (stating that “GAI tools may provide lawyers with a faster and more efficient way to render legal services to their clients, but lawyers who bill clients an hourly rate for time spent on a matter must bill for their actual time.”). The Virginia State Bar in Legal Ethics Opinion 1901 offered the following, more circumspect approach:

When evaluating fee reasonableness for a lawyer who uses generative AI or other productivity-enhancing tools or experience, Rule 1.5 does not equate reduced time with proportionally reduced fees. Such an approach would fail to account for the investment lawyers make in developing AI expertise and the continuing value of their professional judgment. Instead, a proper analysis should recognize that reasonable non-hourly fees can reflect efficiency gains, the specialized skill of effectively incorporating technology, and the value of the relevant services and output.

VA. SUP. CT., LEGAL ETHICS OP. 1901, REASONABLE FEES AND THE USE OF GENERATIVE ARTIFICIAL INTELLIGENCE (Nov. 24, 2025), https://www.vacourts.gov/static/courts/scv/amendments/leo_1901.pdf [<https://perma.cc/2WA5-BBWZ>].

hours might now take only 10 hours. This time savings isn't a catastrophe. It's an opportunity to fundamentally rethink your business model.

First, recognize that efficiency creates capacity. If your team can complete analysis work in a quarter of the time, they can take on four times as many projects. This isn't about working your people harder but about expanding your market reach. You can serve more clients, enter new markets, or tackle smaller engagements that were previously unprofitable.

Second, shift from selling hours to selling outcomes.²⁸ When a client engagement produces better results in less time, that's a feature, not a bug. Price based on the value created, not the effort expended. If your GenAI-enhanced approach helps a client capture a market opportunity worth \$10 million, why should you earn less because the work took three weeks instead of twelve?²⁹

Third, redeploy human talent to higher-value activities. The hours saved on data analysis and document creation can be redirected to client relationship building, creative problem-solving, change management, and implementation support—all areas where human expertise remains irreplaceable and where clients see enormous value.

PACKAGING NEW OFFERINGS FOR MARKET CLARITY

GenAI-enabled services need clear framing as outcome-driven solutions that give business development teams differentiation and create new revenue streams. Examples include:

- **M&A Certainty Suite**—diligence, risk modeling, and closing acceleration, all packaged as a comprehensive offering.
- **AI Bias Audit Defense**—monitoring, documentation, and dispute readiness, all delivered as an ongoing service.
- **Regulatory Foresight Service**—horizon scanning, tailored playbooks, and quarterly briefings, all structured as a subscription model.

These packages transform abstract GenAI capabilities into tangible value propositions that address specific client pain points while establishing new revenue streams.

²⁸ But be careful not to *guarantee* any outcomes. It didn't work well for the doctor in *Hawkins v. McGee*, 146 A. 641 (N.H. 1929), and it won't work well for you.

²⁹ See *supra* note 25.

Law firms could go further by creating proprietary dashboards that translate complex legal analyses into executive-friendly recommendations. Dashboards that let clients see, in real time, what's going on in their matters can elevate a law firm from a mere commodity service provider to a strategic partner. Early adopters that showcase case studies quantifying client cost savings or risk reduction can gain powerful marketing assets and forge reputations difficult for competitors to match.

OPERATIONALIZING THE STRATEGY: FROM PRACTICE GROUPS TO PROOF POINTS

Both innovation and integration happen where lawyers work: the practice group. To stay ahead of the crowd, each practice group should, using its time entries, inventory its repeatable tasks, map them to any known client pain points, and test alternative pricing through pilot projects.

For example, a corporate group might deploy a GenAI-driven M&A diligence engine on mid-market deals under a fixed-fee model, measure turnaround time and error reduction, and iterate pricing based on margin data. Meanwhile, the litigation practice may pilot predictive analytics to triage matters and offer value-based fees on cases flagged as high-probability wins. The resulting proof points become marketing narratives for business development teams and benchmarks for firm-wide rollouts.

Robust cost modeling—encompassing software licensing, prompt engineering resources, cybersecurity, and data storage—ensures that a firm's fee structures will protect margins. But law firms run on incentives, and thus a firm's compensation system must also evolve. Rewarding only billed time discourages innovation; tying bonuses to a partner's overall contribution to a firm's margins, human vs. AI work allocation, efficiency metrics, product revenue, and client satisfaction will encourage otherwise reluctant partners to take the leap to a structure in which AI is a rich tool used to provide more value to clients.

PILOTING FOR STRATEGIC VALIDATION

Because analyzing workflows to find places for “first-cut” GenAI work represents a fundamental shift from the current model, strategic piloting of such work is essential. One effective approach is partnering with a strategic, motivated client interested in minimizing its outside counsel legal spend, driving faster work product turnaround time and optimizing its outcomes. With stakeholder buy-in, the firm can shape the model for that particular client—defining the scope of work, the fee structure, and the client's success metrics—then use the proof points to create compelling stories for broader market deployment across a wider range of clients. These pilot relationships provide the case studies and quantifiable outcomes necessary to convince larger, more risk-averse clients to embrace the novel approach.

TURNING RISK INTO COMPETITIVE ADVANTAGE

GenAI introduces complex questions around data security, privilege, intellectual property ownership, and algorithmic bias. Rather than viewing these questions as obstacles, a savvy law firm will convert its own compliance rigor into a marketable feature. Demonstrable controls—segregated data environments, documented quality-assurance protocols, and AI-specific ethical guidelines—become law firm differentiators that reassure risk-averse clients and support premium pricing.

These same policies serve as the foundation for advisory offerings to clients that are establishing their own GenAI governance frameworks, by turning the law firm's own internal discipline into a selling point for external revenue. As GenAI narrows the gap in technical output, the human factors of strategy, credibility, and judgment will only grow in importance. The differentiator is not which firm has the most advanced tool, but which firm clients will trust to interpret results, make judgment calls, and advise strategically.

CULTURE, TALENT, AND MEASUREMENT: THE INFRASTRUCTURE OF EXECUTION

Technology without cultural adoption is shelfware. Firm-wide GenAI literacy programs—covering prompt engineering, critical evaluation of machine outputs, and ethical constraints—equip lawyers to wield new tools with confidence. Emerging roles such as GenAI auditors and technology-liaison attorneys ensure quality control and bridge domain expertise with technical depth.

Make GenAI literacy a core competency for every consultant and lawyer. This doesn't mean everyone needs to be a data scientist, but everyone should understand what GenAI can and cannot do, where it adds value, and how to work effectively alongside it. Develop clear guidelines about GenAI use—not just about tools, but about judgment. When should someone rely on GenAI-generated analysis? When should someone verify it independently? How should GenAI-assisted work be presented to clients? What disclosures are necessary? These questions don't have universal answers, but they need firm-specific policies that build confidence and consistency.

Measurement systems must evolve alongside culture. Key performance indicators shift from hours billed to metrics such as matter-level margin improvement, product revenue growth, client Net Promoter Score³⁰ for AI-enabled services, and competitive win rates on technology-intensive pitches. These new

³⁰ In this context, a Client Net Promoter Score would measure how likely clients are to recommend the firm.

metrics must align with compensation structures that reward innovation, collaboration, and client value creation rather than pure time investment.

CONCLUSION: ACTING BEFORE THE WINDOW CLOSES

The legal industry will not be spared the commoditizing force of GenAI, but commoditization is not destiny. Firms that act decisively can defend their highest-value work, extend mid-margin services through efficiency and scale, and create new advisory domains that were unimaginable just a few years ago. Developing an integrated approach where business development pinpoints and wins the right opportunities with clients, while creating different ways of billing for that value added, captures the full value of GenAI-driven efficiency.

This transformation requires firms to master both disciplines simultaneously: identifying and reclaiming work that clients would prefer to outsource, building cross-practice integration that serves the whole client rather than satisfying fragmented matters, and developing educational narratives that guide clients through fundamental changes in legal service delivery. The firms that succeed will recognize relationship capital as their ultimate differentiator while packaging GenAI-enabled capabilities into clear, outcome-driven offerings that address enterprise-level challenges.

The question isn't whether GenAI will change the legal industry. It's whether your firm will be leading that change or reacting to it. Those firms that master the business development and analytics disciplines will transform the threat of billable-hour compression into an engine of growth; those that separate them will struggle to escape a race to the bottom they did not foresee but unwittingly fueled. The window for strategic action remains open, but it won't remain so indefinitely.

The time for decisive action is now.