KPMG Law

From data to wisdom

How AI is transforming in-house legal departments



Executive summary

KPMG. Make the Difference.

A new era of intelligence

Artificial Intelligence (AI) has been part of the legal industry for years, primarily through tools that automate legal research and contract management. However, the true transformation is now underway as AI evolves to help legal professionals extract insights from unstructured data like contracts and case law. This shift is turning reactive, manual processes into proactive, data-driven decision-making engines.

In-house legal teams are at the early stages of AI adoption. While some have implemented AI tools for contract review and eDiscovery, broader integration is rare due to the industry's cautious nature. Despite challenges like stringent compliance and complex risk landscapes, there's increasing pressure on legal departments to enhance efficiency and manage risk with limited resources. AI offers a path forward, provided it's implemented with clear governance and alignment with business priorities.

For general counsels (GCs) and chief legal officers (CLOs), AI is now a strategic imperative. It enhances efficiency and insight, enabling legal teams to move from manual tasks to predictive risk assessments and intelligent workflow optimization. This report provides a roadmap for responsible AI adoption, highlighting how legal leaders can 'future-proof' their functions and redefine the role of legal services in business strategy.

"The future of legal services is not just about automation but about intelligent augmentation — where AI empowers legal professionals to focus on higher-value strategic work."

Stuart Bedford
Global Head of Legal Services
KPMG International

By the numbers: AI adoption in legal

Recent research by KPMG reveals that while AI's impact on legal services is growing, it's not yet as pronounced as in other areas. However, 51 percent of respondents noted a significant impact by AI on their legal functions, with 33 percent reporting high impact and 18 percent experiencing transformative changes.[1]

[1] Source: KPMG International quantitative survey of 1,390 decision-makers across 8 industries and jurisdictions conducted from 21 November 2024 to 30 January 2025.

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The value of AI for legal

Revolutionizing the delivery of legal work

AI is transforming legal work by streamlining document-heavy processes, enabling legal teams to operate with greater speed and precision. In contract management, AI tools simplify drafting and negotiation, identify risks, and enhance compliance. During eDiscovery and litigation, AI speeds up due diligence and reduces costs, while in compliance management, it automates monitoring and reporting.

Furthermore, legal research is more targeted with AI, allowing professionals to refine strategies. By eliminating repetitive tasks, AI empowers teams to focus on strategic priorities, improves decision-making and enhances compliance with automated checks and alerts.

Unlocking value from existing legal technology investments

AI can help maximize the value of existing legal technology by enhancing tools like contract lifecycle management (CLM), eDiscovery platforms, compliance and risk management software and enterprise legal management (ELM) solutions. By integrating AI, organizations can improve efficiency and gain advanced, data-driven insights.

AI enriches CLM with real-time analysis, cuts eDiscovery costs with swift data processing, and automates compliance monitoring. In ELM, AI analytics help optimize legal spending and resource allocation. Acting as a unifying intelligence layer, AI connects systems to provide a holistic view of legal risks and opportunities, enabling quicker, informed decision-making for in-house legal teams.

Preparing for the next generation of autonomous AI agents

The arrival of agentic autonomous AI is set to transform legal operations, shifting from human-driven processes with AI support to AI-driven processes with human oversight. This next generation of AI will independently analyze legal data, initiate actions and optimize workflows.

Legal departments should prepare for AI as an active participant in strategy and decision-making, automating complex tasks, managing contract negotiations and optimizing litigation strategies. It will enhance decision-making by simulating scenarios, recommending strategies based on business objectives, managing contract renewals and disputes and providing real-time insights to executives on legal risks and obligations.

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Implementing AI in legal services

Rethinking legal operations for AI

AI can reconfigure legal operations by enhancing efficiency, reducing costs and improving collaboration — prompting legal teams to rethink their operating models and vendor relationships. Legal operations (Legal Ops) teams are leading this change by integrating AI into workflows to improve accuracy, encourage collaboration and manage risks proactively. AI is also refining external engagements and billing models, prompting service efficiency and cost transparency.

This shift allows legal departments to move from reactive spend management to proactive cost control, focusing on business impact over time spent. As AI-driven services grow, cost predictability and performance-based pricing are set to become the new standard, helping ensure better value from external providers.

Driving AI transformation from the top

Propelling AI transformation in Legal Ops requires leadership from the top, with GCs and CLOs playing a crucial role in navigating AI integration. These leaders should champion AI, balancing innovation with governance, ethics and business impact. AI is seen as a strategic imperative that enables efficiency, cost reduction and smarter decision-making.

Legal leaders should align AI strategies with corporate goals, enhance risk management and support M&A and regulatory reporting through AI-driven insights. They can also help ensure ethical AI use, embed AI into the legal culture and build trust across the organization. Challenges include managing data privacy, bias and change, requiring robust governance and upskilling legal teams for AI fluency.

Building a strong data foundation for AI success

To fully harness AI's potential in legal services, organizations need a strong data foundation with high-quality data, strong governance and adherence to legal and ethical standards. AI's success hinges on structured and accurate data, so data cleansing is essential. Legal teams should implement clear data governance policies to ensure legality, transparency, and auditability, as well as minimize risks and foster trust.

Protecting sensitive data, maintaining human oversight and adhering to changing regulations while addressing intellectual property and data rights early to avoid disputes is crucial. Establishing responsible AI frameworks based on ethical principles and aligned with emerging regulations can help legal teams maximize AI's benefits while mitigating risks effectively.

Empowering legal teams for AI-driven workflows

AI can empower legal teams by augmenting human expertise, enabling smarter decision-making and driving greater business value. To fully realize AI's potential, legal professionals should develop AI literacy, cross-functional skills and robust knowledge management practices, while organizations ensure proper governance and oversight.

Upskilling should focus on practical applications and ethical considerations. Cross-functional collaboration between legal, IT and data science can improve decision-making. AI tools also transform knowledge management by speeding up access to insights. By validating AI-generated insights and incorporating human review, legal teams can achieve better outcomes and build a more agile, future-ready legal function.

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Roadmap to AI-readiness

Successful AI adoption in legal departments often depends on mapping out the project from beginning to end — and beyond. Before implementing AI in the legal function, consider these actionable steps.

Getting started

Develop a roadmap for effective implementation to build a solid AI adoption strategy that balances efficiency, compliance and business value.

- **Conduct an AI-readiness assessment:** Evaluate existing legal processes, data infrastructure and technological capabilities to identify AI value areas.
- **Prioritize high-impact AI use cases:** Focus on quick wins such as contract automation, compliance monitoring and legal research while setting the stage for long-term transformation.
- **Establish cross-functional AI teams:** Form interdisciplinary teams across legal, IT, compliance, and business units to ensure alignment with business needs and risk management.

Making it work

AI integration in legal functions should align with corporate goals and follow structured governance. Strong AI governance enables legal teams to leverage AI's benefits while managing risks and helping ensure regulatory compliance.

- **Align AI with business strategy:** AI should support corporate objectives like cost reduction and operational efficiency, rather than operate independently.
- **Manage risks with AI governance:** Implement governance structures to ensure accountability, data security and compliance throughout AI deployment.
- **Ensure transparency and ethical compliance:** AI decisions must be explainable, auditable and free from bias. Clear usage policies are essential for ethical and legal adherence.

Thinking long-term

Legal leaders should foster a culture of innovation, invest in AI literacy, and remain agile to ensure long-term success. By integrating AI into legal operations, GCs and CLOs can gain a competitive advantage and long-term resilience.

- **Foster a culture of innovation:** Shift from a reactive mindset to an innovation-first approach, viewing AI as a strategic enabler.
- **Invest in data quality and AI literacy:** Improve legal data management and ensure professionals can interpret AI insights.
- **Stay agile:** Continuously adapt AI strategies and compliance to keep pace with evolving regulations and technologies.

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How KPMG can help

KPMG Law's AI-powered legal solutions are designed to help legal functions operate with greater efficiency, intelligence and strategic foresight. By combining deep legal industry expertise, cutting-edge AI technology and a risk-managed approach, we help legal teams unlock AI-driven efficiencies throughout their operations, implement robust AI governance frameworks, increase their AI literacy and transform their department into a strategic, data-driven business function.

Advisory and commercial support

KPMG lawyers support clients in ensuring the lawful and responsible adoption of AI. We work with clients around the complex overlap between AI and data protection, including conducting risk assessments, advising on transparency, and providing advice on the lawful use of data to train AI. KPMG firms also have commercial lawyers working with clients to ensure appropriate contractual agreements are put in place between clients and third-party providers to mitigate risk and limit liability.

Compliance

With lawyers covering all key regulatory areas, KPMG member firms help clients with a wide range of regulatory horizon-scanning and compliance reviews. We have developed AI-powered tools and a global delivery model that enables our legal teams to extract, assemble and summarize the core regulation to facilitate review and analysis and the mapping of the regulations to your business, thereby allowing for rapid integration into your systems and controls.

Legal managed services

KPMG Law member firms assist clients with high-volume work for both their contracting needs and claims management. Our tech enabled and scalable delivery model helps ensure clients can access skilled legal resources without the cost burden of full-time in-house counsel.

AI-powered personas and agents

As AI moves beyond automation into agentic and autonomous systems, legal teams must be prepared to integrate AI-powered legal assistants and personas into their workflows. KPMG Law supports developing AI-powered legal agents that assist in contract negotiations, compliance monitoring and risk analysis, as well as creating virtual AI legal personas trained to interpret policies, regulations and case law, augmenting legal decision-making.

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