



Three Forces Driving Change in Legal Services

Future of Legal



The legal profession is undergoing profound disruption as changes in **supply and demand, business models, and the workforce** collide all at once. Technology is fuelling rapid change across all of these dimensions. New advances like generative artificial intelligence (genAI) are already transforming the legal profession — but their impacts are not yet fully realized or appreciated.

As KPMG International's Head of Global Legal Services **Stuart Fuller** explains, the legal professionals who will thrive in the new reality are those who are curious, quick to adapt and embrace technology, and ready to invest in what it takes to transform their clients' experience with the law.

Stuart joined as the Head of KPMG Law in March 2018, and was appointed the Global Head of Legal Services in August 2019. An acknowledged leader in the global legal market, Stuart brings deep industry insight, cultural intelligence, commercial acumen and superior execution skills to lead KPMG global legal services businesses. KPMG Law is an integrated, multidisciplinary network of advisors with more than 80 jurisdictions and around 4,000 lawyers. Stuart has outstanding international experience, understands the demands of cross-border transactions and the pressures of operating in a global environment but also brings the local view from his excellent track record in both the Australian and Asia-Pacific legal and business markets.



Stuart Fuller
Global Head of Legal Services,
KPMG International

Table of Contents



04

Disruptions in supply and demand in legal markets

06

Shifting business models and value propositions

07

Shifting attitudes toward legal careers

08

Putting clients' interests first

Access sections directly by clicking on their titles in the table of contents

Disruptions in supply and demand in legal markets

The market for legal services continues to grow faster than the market for traditional “**legal advice**” and “**legal transaction**” services, and the number and type of participants in it also continues to increase. As businesses have evolved, their legal services needs have changed and expanded. Traditional law firms no longer have the abilities, capacity or capital to meet these needs.

Technology is transforming how legal services are delivered, and how corporate legal departments and traditional law firms operate. Technology and genAI are enabling corporate legal departments to optimize the scope and scale of work they manage internally, and to reset their expectations for their external providers. Traditional law firms cannot choose whether or not to embed genAI in their businesses — clients will demand it, and it will quickly become a “ticket to play” but not a differentiator.

Traditional law firms focus primarily the provision of legal advice, the execution of transactions and the conduct of litigation, arbitration of other forms of dispute resolution. Legal services providers provide these capabilities and much more, including:

- technology-enabled global legal solutions
- risk advisory and consulting
- legal transformation (e.g. operating model design)
- legal technology consulting
- legal managed services
- supply of flexible lawyer resources.



The market's demand for a broader and more flexible range of legal services has enabled a new wave of providers to join traditional law firms in the market. These new providers are growing and capturing an increasing share of the overall legal services market. They include:

- **alternative legal services providers (ALSP)**, including the legal services offered by many KPMG firms
- **online legal companies**, which offer efficient approaches or services for routine legal matters
- **legal technology companies**, which use various technologies to improve the efficiency and compliance of specific areas of legal operations
- **law companies**, which are vertically integrated businesses offering a mix of alternative legal services and legal technology solutions, and — increasingly — legal advice, although on a relatively limited scale when it comes to capability and coverage.

We are already in a world where corporate legal departments include a mix of providers across different law firm panels and ALSP panels, not only to drive efficiency and cost but also to access a combination of capabilities to meet their business needs.

Over time, the boundaries between these panels will inevitably blur and they will likely become one, and the term “alternate legal services provider” may become extinct.

A company's sole legal panel could include a range of providers who offer differing legal expertise, global solutions, technology and scale. The future will likely belong to those who can combine all of those capabilities into a single integrated platform and become a genuine “global legal solutions business” with a unique value proposition for their clients. Traditional law firms may struggle to make this transition and find themselves even more confined to areas of legal expertise in an increasingly competitive and undifferentiated market.

“

The market's demand for a broader and more flexible range of legal services has enabled a new wave of providers to join traditional law firms in the market. ”

Shifting business models and value propositions

Technology strikes at the heart of the business model of the traditional law firm, upsetting established business models and notions of a legal professional's value. Generative AI goes to the heart of the legal profession — words and language — and can therefore transform the legal profession in ways not seen in the past.

With the efficiencies that technology and genAI bring, clients will no longer accept fee arrangements based solely on hourly rates. Why pay fees based on the input of lawyers' hours for work that the output of genAI can produce in a fraction of the time? Clients might also be willing to buy particular services from a new provider if they can get the results more quickly and easily, even at the same price as services from their traditional provider of those services.

In the future, clients will likely make choices based on the level of service and value of solution they need, and the overall client experience that they receive.

As technology takes on more basic or process-driven legal work, it will level the playing field among different providers. The client experience will become the key differentiator. Clients will seek providers who can deliver quickly and efficiently, integrating the benefit of technology with legal expertise, experience, insight and judgment, and provide integrated, coordinated solutions at scale for their business. Combining human and technology skills, scale and client relationship management to create a superior client experience has never been so important.

As a result, the legal services industry will need to move away from the traditional "time and materials" basis and toward genuine value billing. Rather than time spent, fees will be based on the economic and other value that is delivered to the client. That value will likely or may vastly improve as legal departments and organizations invest in technology that does the work that time and materials used to do. The challenge lies in quantifying and establishing the economic value that lawyers bring and determining how to share in that value as part of their legal fees.

Corporate legal departments will also see new emphasis on the value they create, and measuring it will become an important skillset. A new array of metrics will likely emerge for assessing how they perform in helping the organization manage and reduce cost and risk — for example, by avoiding litigation — as well as by accelerating revenue generation by the business — for example, by simplifying processes and delivery of contracts.



Shifting attitudes toward legal careers

Even as the market for legal services continues to expand, the pool of new legal talent is under challenge. Today's lawyers are looking for variety, flexibility and choice in their career paths, and the legal profession is losing its appeal to potential new entrants. The traditional pathway and time period required for promotion is less accepted, and partnership does not have the same appeal that it did in the past.

Technology and automation can take on some of the more basic legal tasks, allowing firms to offer more sophisticated and compelling on-the-job training experiences for new lawyers. Tech-enabled remote work arrangements could significantly expand the pool of potential lawyers globally, and technology is also increasing opportunities for outsourcing legal tasks to external providers. The need for a richer mix of skills means that legal teams will include higher proportions of other professionals — such as paralegals, prompt engineers, data scientists, data and knowledge curators, operational and project experts, and other subject matter specialists — which may also ease pressure on the talent pipeline for lawyers.

This means rethinking training, recruiting, career paths and succession planning to adapt the legal profession to these new technologies and processes, and to improve the profession's appeal to the next generations of lawyers. For example, training new lawyers on more interesting, more complex and higher-level work will require a lot more time and effort from supervisors, causing the profession to level up at all ranks.

Despite the impact that technology will have on the legal profession, that technology will only augment and not replace lawyers. The output of technology will always need review and oversight by lawyers, as well as the application of expertise, experience, insight and judgement. Clients will still want a personally managed relationship with their legal advisers.

The combination of these factors may provide challenges to many in the legal profession. In the best interests of clients and the profession alike, it is imperative for today's legal leaders to embrace these changes and put them into the proper context for the profession. By doing so, they will steward a new generation of the profession that is well adapted, equipped and motivated to deliver legal services in the future.

“
Despite the impact that technology will have on the legal profession, that technology will only augment and not replace lawyers.”

Putting clients' interests first

As this discussion shows, the coming years will see the legal industry transform like never before. Managing the triple challenges of supply/demand change, upended notions of value and shifting people and recruitment practises will require an infusion of technology across all aspects of legal practice.

Some members of the legal profession are notoriously resistant to change in the face of new technologies and transforming markets. All the usual reasons will be raised to maintain the status quo, including concerns relating to ethics, privilege, security and regulation.

While valid, such concerns can be addressed with good governance and the right guardrails, just as they have been in the past.

More importantly, these concerns are often not raised in the interests of clients but in the self-interest of lawyers seeking to protect themselves and the legal profession from changes that are being keenly sought by their clients and the market. Secure, efficient ways of exploiting new legal technology for clients' benefit — and to steward the changes to the legal profession itself — can only be developed by lawyers who have taken steps to embrace, understand and manage the technology as well as the risks, limits, benefits and opportunities that it creates.

In the end, it is clients who stand gain the most from investments in legal's transformation. They will benefit from:

- faster, more accurate delivery and better value for the legal services they want
- access to rich new streams of knowledge and data
- greater emphasis on the delivery of expertise, judgment, insight and know-how
- a transformed client experience.

In the current environment, legal services providers who put their clients' interests first will naturally gravitate toward technology and transformation. They will realize the value of investing in enabling technologies and equipping their teams with the mix of skills, such as data and analytics, prompt engineering and project management, in order to create the best experience possible for their clients, and the best and most rewarding careers for their lawyers. The winners will be the legal services providers who can combine these elements in ways that transform their clients' relationship with the law.





KPMG member firm legal professionals, powered by technology enabled solutions, can support in-house legal teams to navigate these forces of change.

Want to learn more about KPMG Global Legal Services?

[Connect with us.](#)

*KPMG LLP (US) does not provide legal services

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com



'KPMG' refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit kpmg.com/governance.

© 2024 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Designed by Evaluateserve.

Publication name: Three Forces Driving Change in Legal Services — Future of Legal

Publication number: 139245-G

Publication date: May 2024