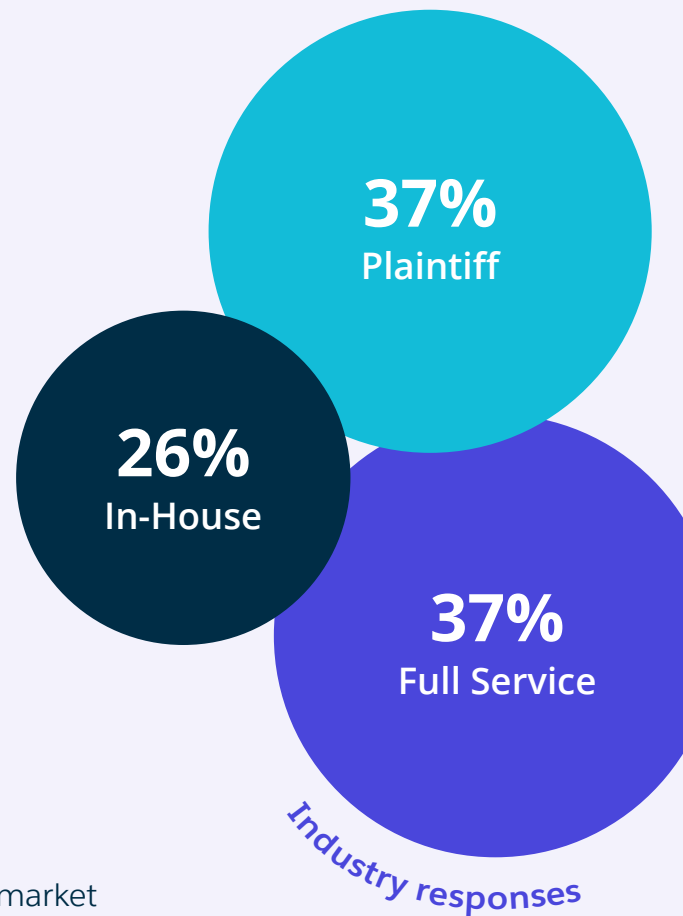




2023 Litify State of AI Report

New research on the use and impact of artificial intelligence on the legal industry — is the sector really ready to take advantage of it?

About this study



Salesforce and Litify commissioned an independent market research firm, CANAM Research, to survey a random sample of verified legal professionals for their insights on the use and impact of artificial intelligence on the industry.

37% of respondents were from plaintiff law firms, 37% were from full service law firms, and 26% were from in-house legal departments – near-equal representation from across the entire industry.

40% of respondents were senior-level professionals, 43% were mid-level, and 9% had the title of C-Suite or its equivalent.

10% of respondents came from organizations with 1-25 employees, 32% were from organizations with 26-100 employees, 26% of respondents were from organizations with 101-250 employees, and 32% from organizations with 251-1,000+ employees.



Introduction

Salesforce partnered with Litify and CANAM Research on this report to understand the opportunity and potential impact for the use of artificial intelligence on the legal industry. **Our biggest takeaway? 60% of respondents don't believe the sector is ready to use AI tools to their full extent or capability.** It's not surprising that the industry at large doesn't feel prepared for AI. While there has been a lot of progress toward technology adoption in legal over the last few decades, there's still work to do to move toward this platformization.

To be clear, AI is here and it will continue to be transformative, but it must be adopted responsibly and with the end-user in mind.

For AI to be most effective it needs to be embedded into the entire business workflow. If you're working from fragmented systems, you're giving AI incomplete information to analyze and cutting automation off where it could help to make your entire process more efficient.

The bottom line: your data and processes need to be in one central system to get the most from AI. And businesses should be able to integrate any AI solution that leads the pack in providing value to a particular workflow. By leaping over the need for integrative platforms, centralized solutions, and collaboration in the cloud, the legal industry will still be missing key pieces of the equation.

We hope you find these insights helpful as the industry continues to explore the potentials of AI and incorporates this ground-breaking technology into every aspect of your legal workflows.

If you have questions or comments about this research, please reach out to marketing@litify.com, and we would be happy to assist.

Key Takeaways

1

AI is here, and it will be transformative, but many in the legal industry aren't ready yet.

62% of respondents say they are not currently using AI.

Similarly, **60%** of professionals don't believe the sector is ready to use AI tools to their full extent or capability.

Survey respondents cite **security and privacy concerns, and a lack of knowledge on staff** as their main barriers to implementing AI.

2

For those already taking advantage of AI, the benefits are positive.

95% of individuals already using AI are saving time on their legal work each week.

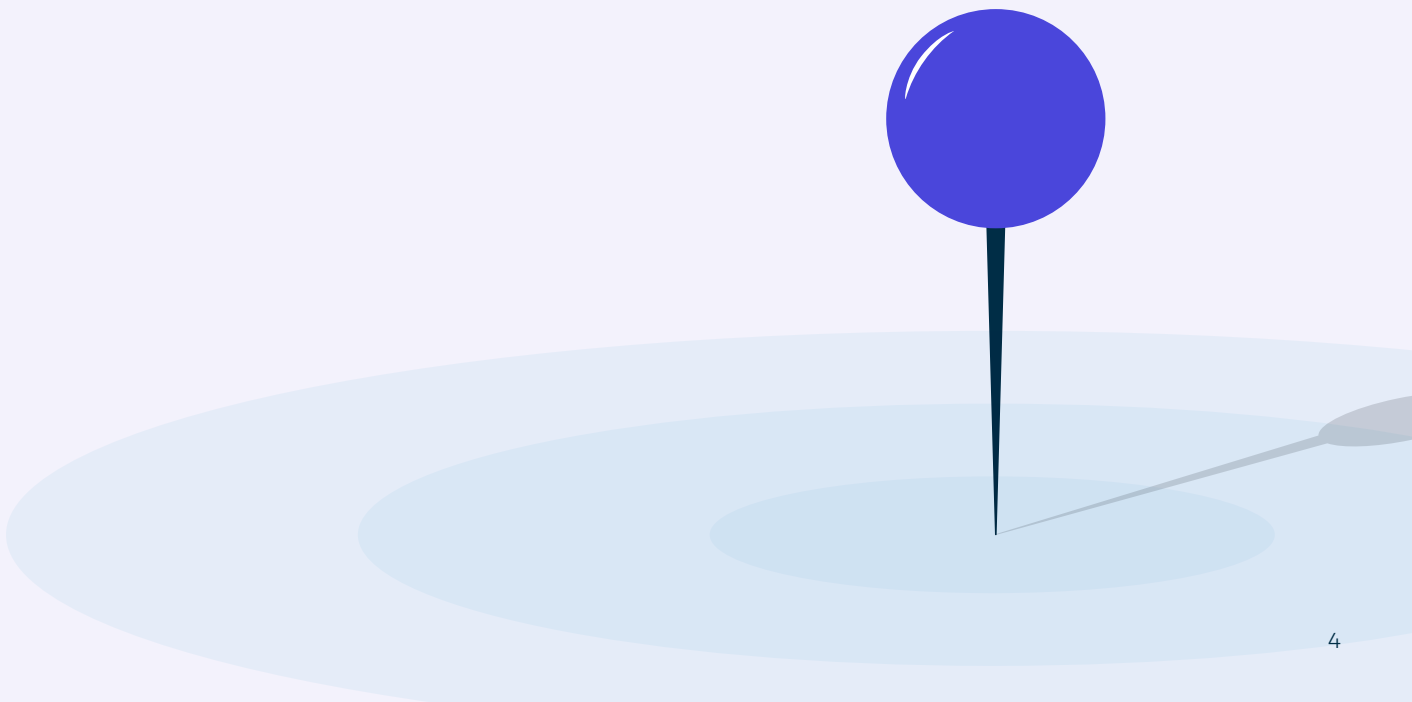
The leading use case for AI in legal work is around document management: Respondents are most likely to use AI for reviewing, summarizing, and/or drafting documents.

75% of respondents feel AI will have a positive impact on the legal industry, with workload and access to legal services being two of the largest areas that AI will benefit.

A Report by Salesforce and Litify

The Current State of AI in Legal

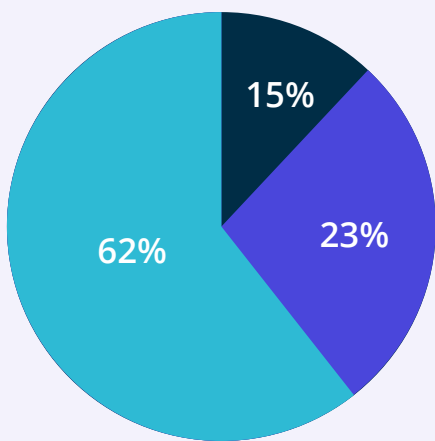
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The majority of legal is not currently using AI

62% of respondents say they are not currently using AI.

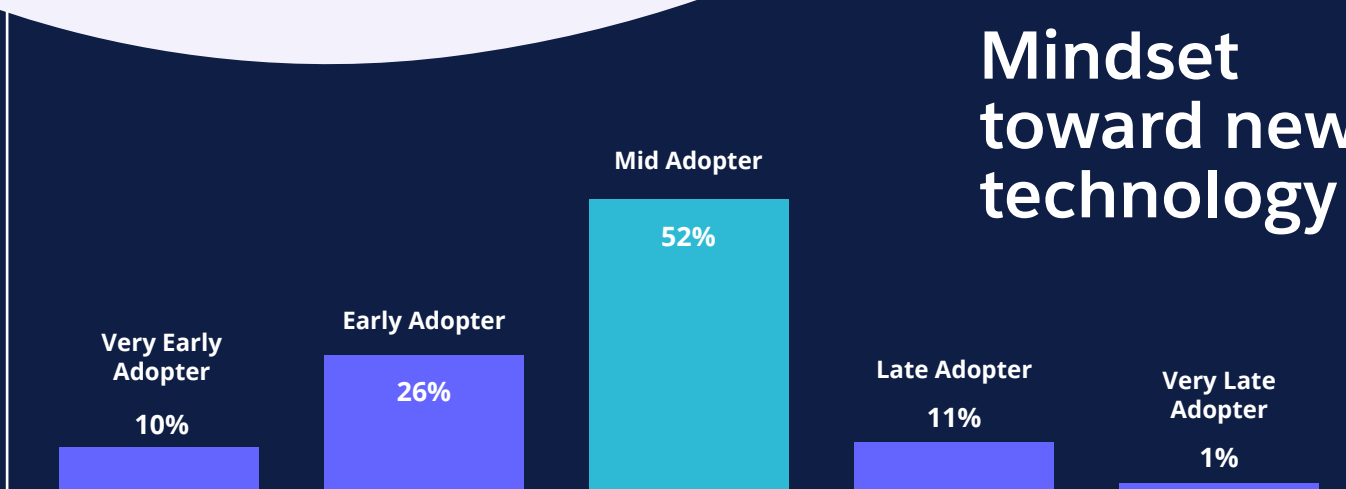
This may not be completely surprising, as a similar majority said they consider their organizations to be mid- to late-adopters when it comes to technology. Historically, the legal industry has approached new innovations with some hesitancy, and are cautious to adopt something new until it's proven to be effective. When compared to other technology advancements, there is an instant usability to some generative AI tools like ChatGPT, but it appears the industry is largely still taking this “wait and see” approach to gauge where AI will be able to prove its effectiveness and value.



Are you already using artificial intelligence tools for your legal work today?

- Yes
- No
- Unsure

Mindset toward new technology



“We’re always on the cutting-edge of technology regardless of risk or failure.”

“We enjoy new technology and are willing to work through early bugs or setbacks but need to test it out a bit before we fully support it.”

“We’re interested in new technology but need a bit of proof that it’s effective and valuable.”

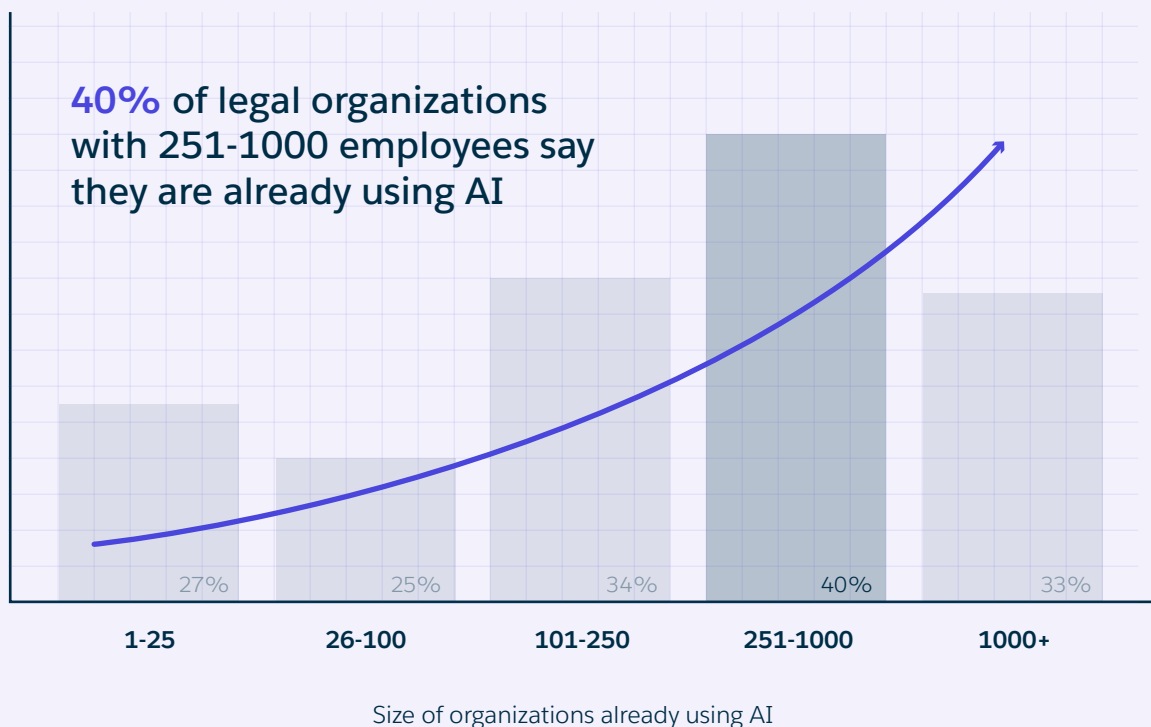
“We don’t like taking risks on new technology and need extensive research and proof that it’s effective and valuable before even considering it.”

“We’re wary of new technology and prefer the status quo.”

...so who is using AI?

Although the majority of respondents aren't currently using AI, larger legal organizations are more likely to have embraced it. For respondents at legal organizations smaller than 100 employees, the response is overwhelmingly "no" to using AI. But as the legal organization grows beyond 100 employees, the number of "yes" answers increases – peaking at 40% of respondents at legal organizations with 251-1000 employees currently using AI.

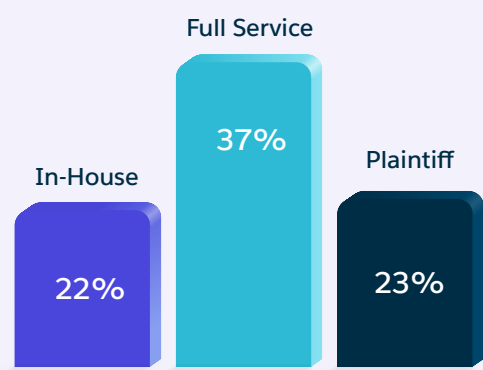
It's important to note that 15% of respondents were unsure if they were using AI tools for their legal work today. While generative AI tools, such as ChatGPT, have been making the headlines recently, other forms of artificial intelligence have been available for years. It's possible that many of these survey respondents are already using some level of AI – built into their existing technologies – and aren't aware of it.



💡 "That's Interesting"

In addition, **full service firms are more likely** to be using AI compared to in-house legal departments and plaintiff firms.

Organization type currently using AI

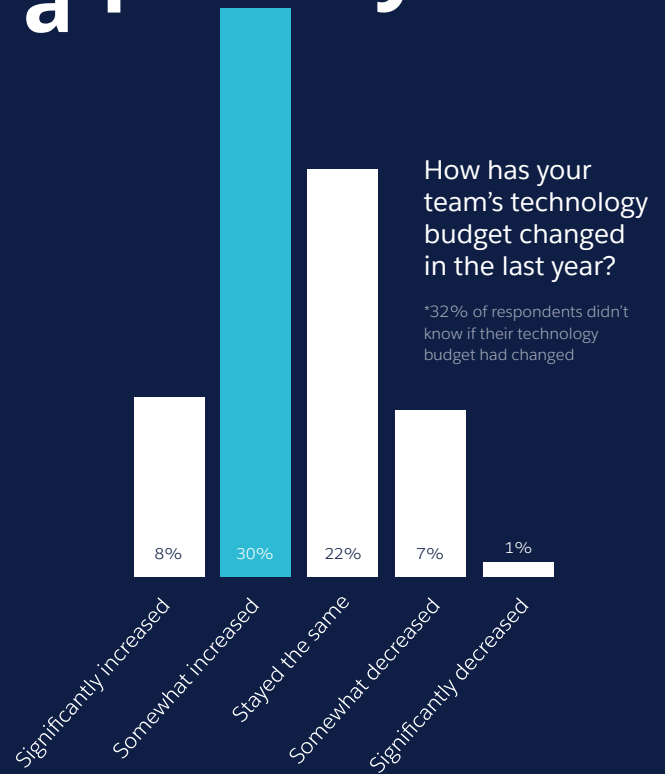


New tech remains a priority

Investing in legal technology remains a priority, despite an uncertain market.

Survey responses indicate that new technology is a priority this year with only 2% of respondents saying that their organizations won't be investing in any new software in 2023 (see page 10 for more info).

Additionally, nearly 40% say their technology budgets have increased. Despite an uncertain economy, demand for legal technology remains high. These technologies are likely a critical component in driving efficiency and productivity, ultimately helping legal organizations to stay ahead in the face of continued downturn.

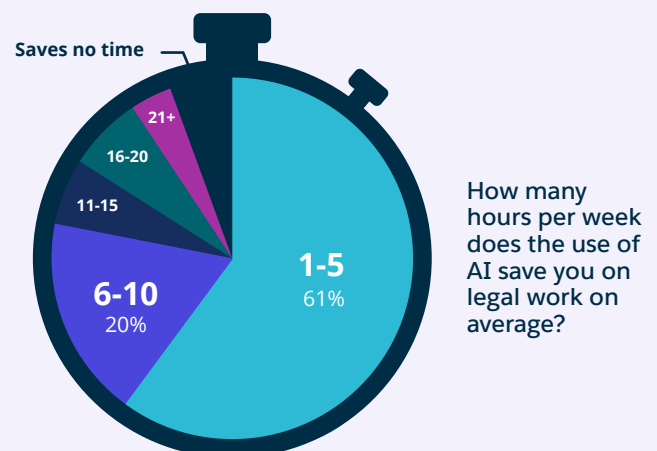


95% of individuals already using AI are saving time on their legal work

Of the 23% of respondents who say they are already using AI, 95% say the use of AI saves them time on their legal work.

Specifically, 61% of respondents report 1-5 hours per week, and 20% report 6-10 hours per week in time-savings. The use of AI overwhelmingly appears to help make legal professionals more efficient in their day-to-day.

The ability to save even 1-5 hours per week per employee can compound to a significant competitive advantage and cost savings. Your team can use their time more strategically on important legal work that can't be performed by AI.



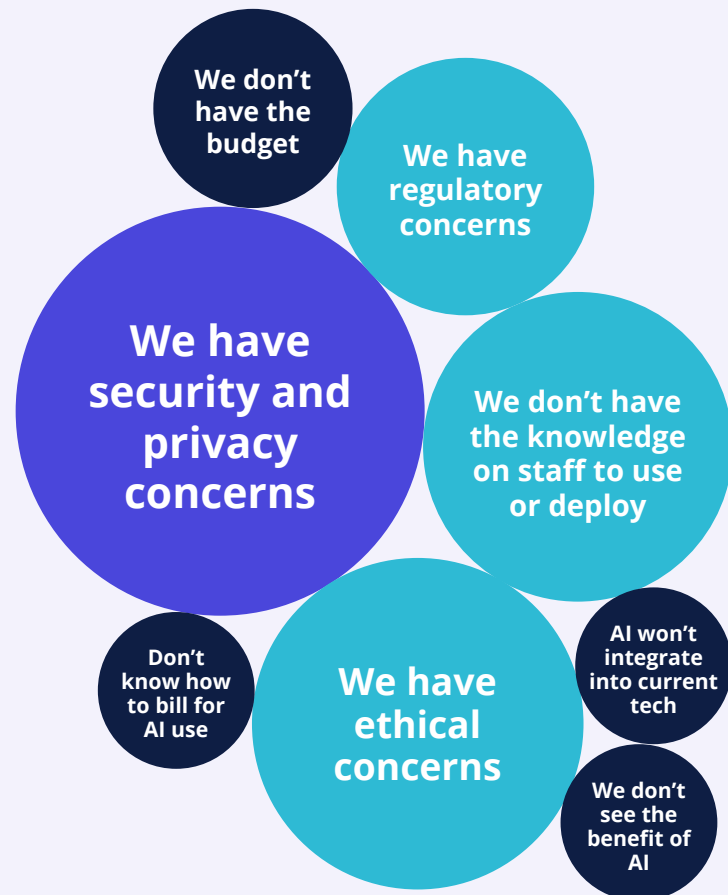
Security and privacy concerns are the biggest barriers to implementing AI

Respondents cite security or privacy concerns as their biggest challenge to implementing AI. A plethora of artificial intelligence tools are becoming available, but with respondents already indicating their organizations' measured approach to new advancements – and the privileged nature of legal cases and documents – it makes sense that these would be respondents' top concerns.

Another significant concern was not having the knowledge on staff to use AI successfully. With several attorneys already being fined for submitting false cases and citations that were generated by ChatGPT in court documents, it's critical for legal teams to build up their understanding of these tools. This includes coaching staff on the best way to use artificial intelligence, its limitations for legal work, and ultimately how to protect sensitive client and firm data.

Survey respondents were less concerned about having the budget for AI, and as mentioned, technology budgets are increasing and investment in legal technology remains stable.

What are the potential challenges to implementing AI tools on your team today?



Digging into the data...

In-house legal teams are 1.4X more likely to not have the budget for AI when compared to the average respondent

Full service respondents are slightly more likely to have ethical concerns regarding AI compared to the average respondent

Plaintiff firms are 82% more likely to be challenged by not having the knowledge on staff to deploy or use AI successfully compared to the average respondent

While most aren't using AI, nearly 2/3 of professionals says it's important to work at an organization that embraces advanced technology

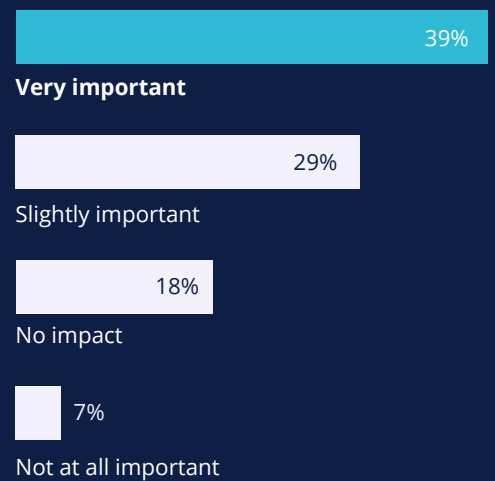
There's a disconnect occurring within the legal industry: while 64% of respondents said they consider their organizations to be mid- to late-adopters of new technology (see page 6), **68% of professionals also said it was important to work for an organization that does embrace the latest technology advancements.**

More broadly, a high turnover rate persists within the legal industry – peaking at 25% attrition among associates, according to a separate study*. This poses additional challenges for legal teams as hiring and training new talent is extremely expensive, and is a cost that many will want to avoid in today's market. With this disconnect, learning to embrace advanced and modern technologies may be a new lever to attract and retain talent, especially this younger generation of talent, and support a culture of retention and productivity.

1 in 3 employees think their leadership team is uncomfortable with AI



How important is it to you to work for an organization that embraces the latest tech advancements, such as AI?

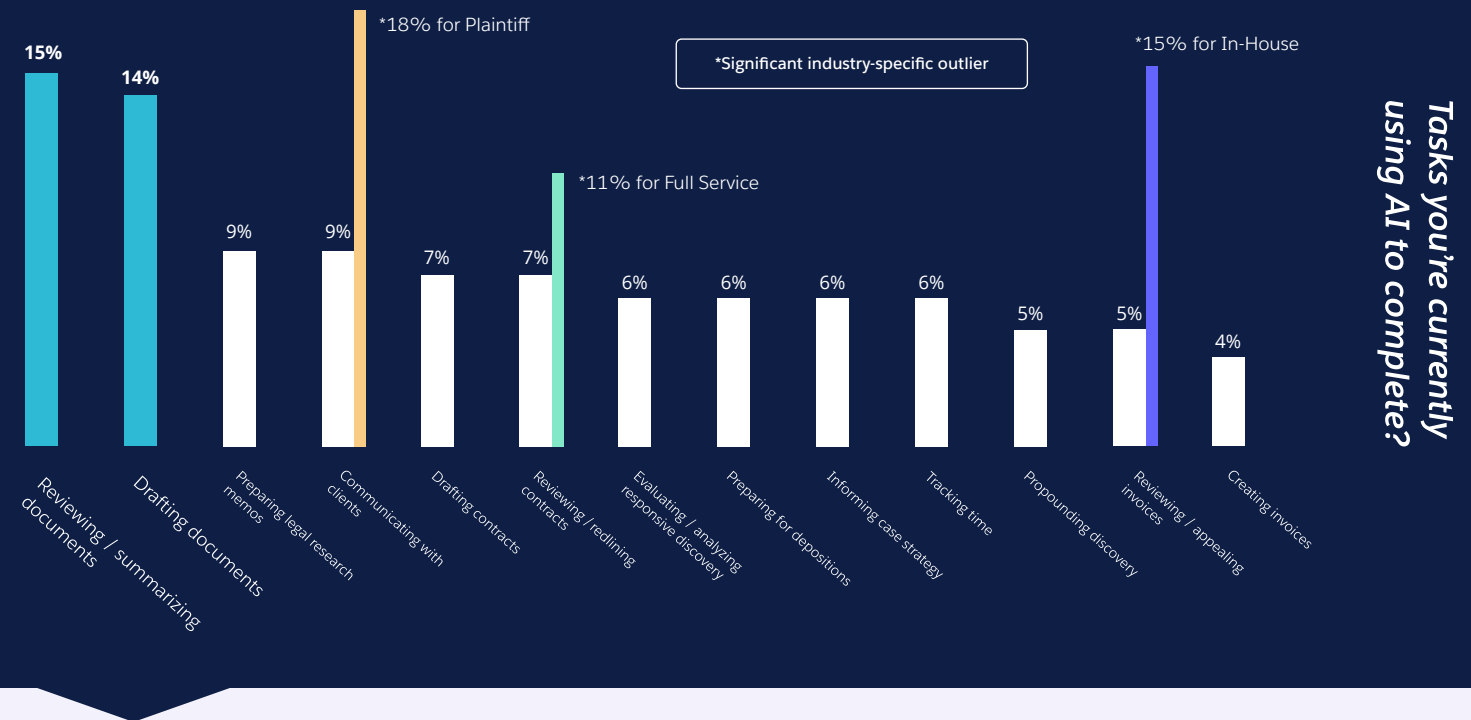


Drilling in further, 48% of respondents are comfortable with the idea of using AI. But while just about half of professionals are personally comfortable with it, there can be a perception among employees that leadership teams are not.

Legal professionals in this study have stated they want to work at organizations that embrace advanced technologies such as AI. Regardless of your personal stance on AI, do you know how your employees feel about embracing new technology?

Document management appears ripe for disruption

The leading use case for AI in legal work is around document management: Respondents are **most likely to use AI for reviewing, summarizing, and/or drafting documents.**



Document management is not only the leading use case for artificial intelligence, **it's also the software at the top of organizations' shopping lists for legal technology this year.**

Reviewing and generating documents is a largely manual and time-consuming part of a legal professional's role and is an area that can be vastly improved by technology. Existing document management software can automatically generate documents based on information that's already captured in the software. These tasks also appear to be a great fit for the current capabilities of artificial intelligence. There may be added benefit for document management providers that can incorporate AI-driven capabilities within their solutions.

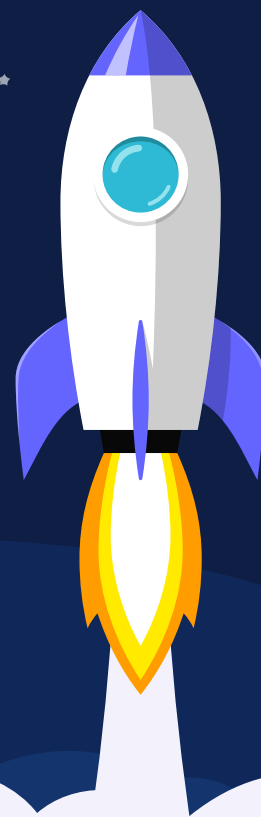
On the other end of the spectrum, respondents are less likely to invest in contract lifecycle management. However, CLM software was one of the "technology darlings" for legal investment last year. Potentially, legal organizations have already made their investment here and now are exploring other solutions.



Looking ahead:

The Future Impacts of AI

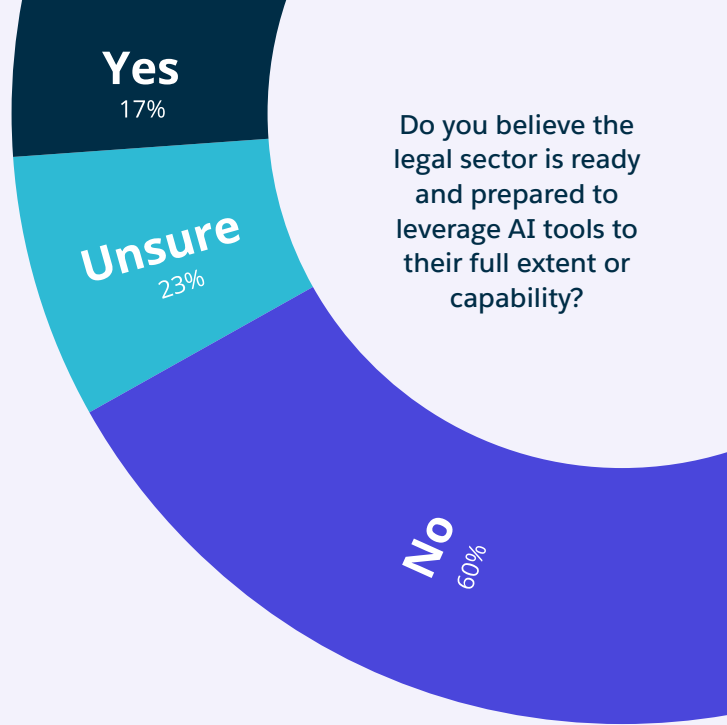
Data gathered by



Not so fast...

Majority of respondents feel the legal industry isn't prepared for AI

62% of respondents said they are not currently using AI. Similarly, 60% of respondents say they don't believe the legal industry is ready to leverage artificial intelligence tools to their full potential. While there has been a lot of progress toward technology adoption in legal over the last few decades, it's clear there is still work to be done.



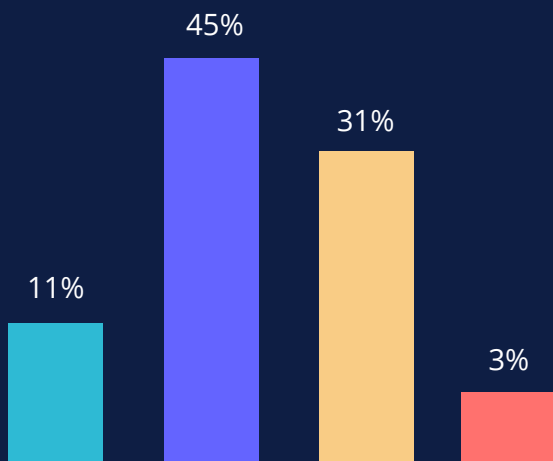
This lack of preparedness could be due to unstructured and fragmented data

In addition, over half of respondents say they must export data in order to get full insight into their business — or worse don't have easy access to all their data. But for AI to be effective, data needs to be accessible and stored in a centralized solution so that the AI can be trained from a single source of truth. If AI is working from fragmented systems, it will provide fragmented insights.

💡 "That's Interesting"

Plaintiff firms are 20% more confident in their data over full service and in-house.

How would you rate your team's use of data?



*10% were unsure

- All our systems and data are connected, and I have easy access to the insights I need via an integrated reporting tool
- Most of our systems and data are connected, but I have to export data and reports into a separate tool (e.g. Excel) to get the full picture I need
- I know our data is being collected, but I have trouble retrieving it from our systems to actually use it
- Our data lives all over the place, including on paper or other disconnected means, so it would be difficult for me to take action on it

However, the outlook is bright

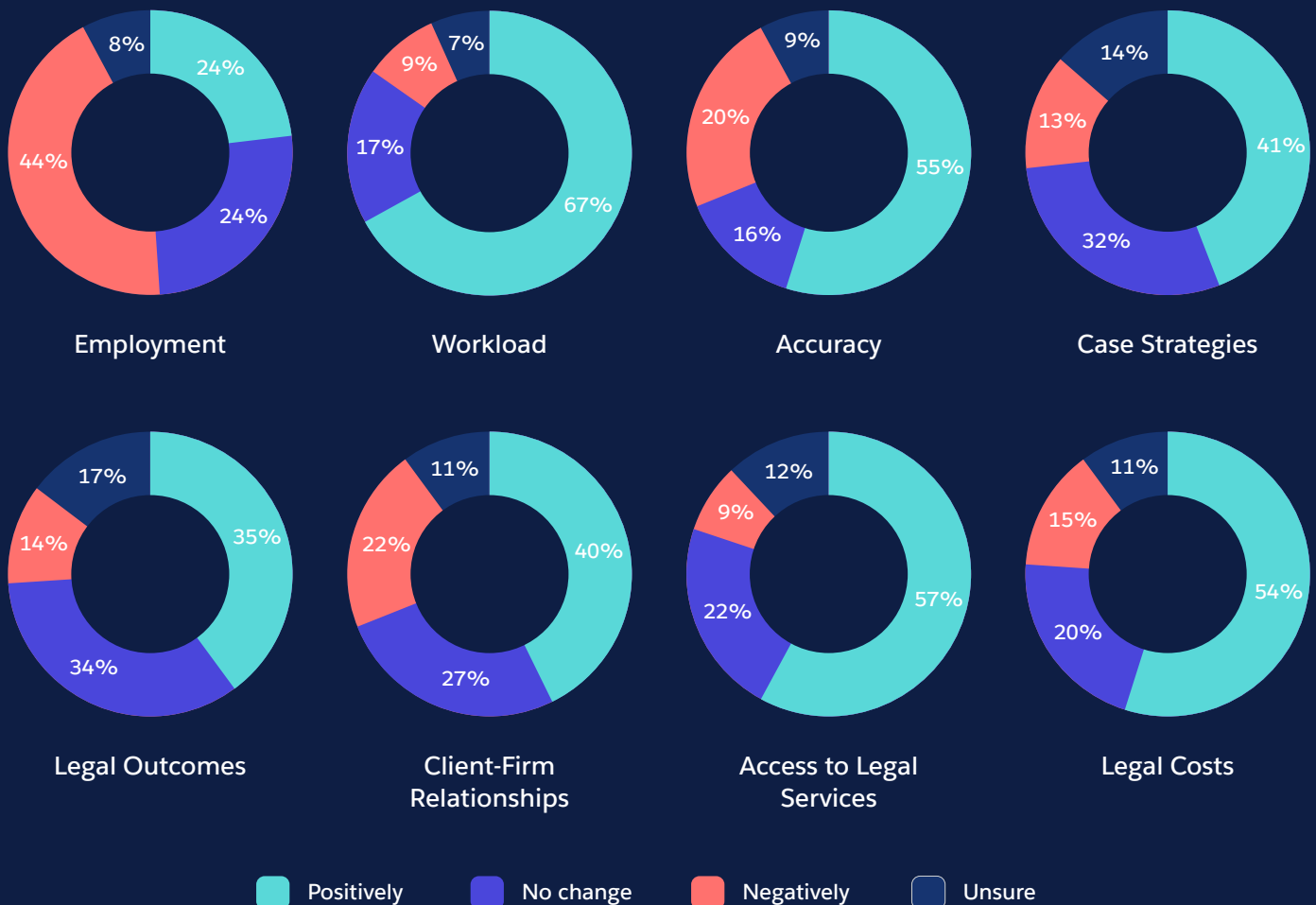
Respondents largely see AI having a positive impact on the industry

75% of respondents feel AI will have a positive impact on the legal industry, with workload and access to legal services being two of the largest areas that AI will benefit.

67% of professionals say that workload will be impacted for the better, and with a majority of those already using AI citing that it saves them up to 10 hours each week, it's clear that AI has an opportunity to support professionals with their work. And as AI takes on some of the time-consuming and manual tasks, legal professionals will be able to refocus their time to strategic efforts.

44% of respondents feel AI may negatively impact employment within the industry. While AI will increasingly support the manual aspects of legal work, legal professionals who can harness the power of AI while providing the more “strategic” human value will be the most valuable talent.

In what ways do you feel AI will impact the legal industry?

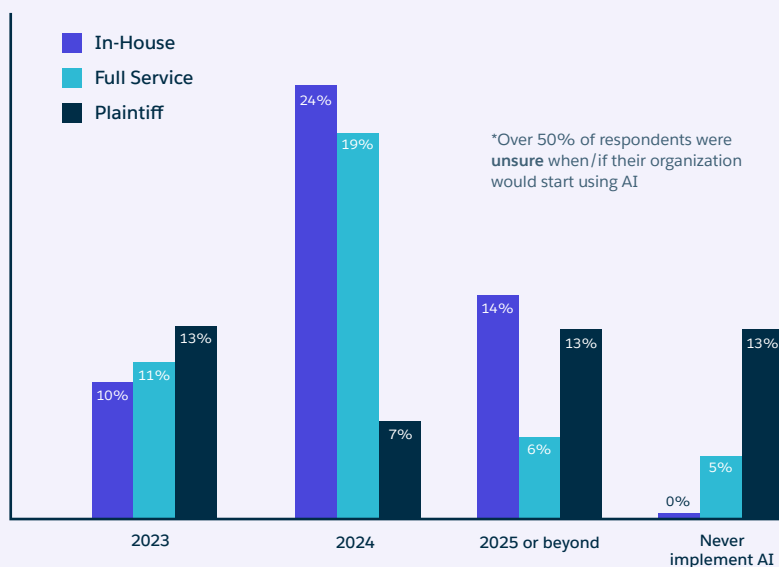


If not now, then when?

Of the respondents not yet using AI, most believe they will start to use AI next year.

While the majority of respondents aren't currently using AI, adoption is largely expected next year. More difficult to address will be the industry's feelings of unpreparedness for AI. If organizations plan on using AI in the near future, it is critical to start laying a strong data and technology foundation now to reap the benefits.

Separately, plaintiff professionals are the most likely to state that they'll never implement AI. They were also the most likely to cite a lack of knowledge on staff as a barrier to implementation, and slightly more likely to feel employment would be negatively impacted by AI. While the rest of the industry appears open to embracing this advancement, the plaintiff segment is resistant.



When is the earliest your team would use AI tools to help with legal work?

CONCLUSION:

How to prepare for your AI efforts, today

1

Invest in a strong foundation.

If you're one of the many companies who still need to export your data into separate tools to use it, start filling in the gaps. You'll need to know where your data is located, where it comes from, and how you can start using it in real-time. Building this foundation may require investing in efforts that lead to data centralization, governance, standardization, and a single source of truth.

2

Increase your understanding of AI best practices and limitations.

While generative AI is making the news, there are many forms of artificial intelligence and many key terms to understand. Begin educating yourself – and your team – on these tools, including how to use them for legal work safely and appropriately to keep sensitive client and firm data protected.

3

Ask your technology vendors about their plans and approach to AI.

There are generic AI products available today, such as ChatGPT, but they may not be built with the nuances of legal in mind. You may be more likely to invest in AI-driven capabilities from your existing vendors – or solutions that integrate with your existing legal technology platforms – instead. Ask your vendors about their potential plans, and using your understanding of AI best practices, determine if their approach works for you.

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