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Your Outside Counsel Is Using AI. Should Your Legal Spend Be Going Down?

Artificial intelligence (AI) has quickly become a routine part of legal work. Many outside law firms now use AI tools to support research, drafting, contract analysis, due diligence, and document organization. The shift has been fast enough that most legal departments did not ask for these tools but now must understand how they affect the work they receive. AI in legal work is no longer experimental or informal; it is becoming part of the operational fabric of many law firms and legal departments. General counsels are increasingly asking how to evaluate AI use, how to ensure quality, and how to set expectations for technology enabled work.

Managing Expectations

The pressure from upper management and company stakeholders is real. Many legal departments are experiencing a new pressure point. Business leaders hear about AI's ability to accelerate tasks and immediately wonder whether outside legal spend should drop.

When I worked in-house as the Chief Legal Officer for a midsized company, cost savings was always at the forefront of my mind in making decisions about when and how to use outside law firms. Cost savings conversations can be difficult to navigate, and it helps to be prepared when the topic arises. While the question on cost savings is reasonable from a commercial perspective, it rarely reflects how AI actually works in a legal context.

It is true that AI can make certain mechanical tasks more efficient. First-draft generation, document summaries, and basic comparisons can often be completed faster than before. Those efficiencies are real

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and beneficial, and clients should expect their firms to incorporate them responsibly. However, that is only part of the conversation. Efficiency does not automatically translate to reduced scope, because the substance of the work, and the expectations placed on legal functions, continue to expand.

General counsel can help reframe this conversation with management by explaining that AI changes how work is done rather than how much of it is required. AI can reduce the time spent on routine steps like summarizing documents or comparing contract clauses. It does not reduce the need for legal analysis, interpretation, negotiation judgment, or regulatory understanding. In many matters, AI enables lawyers to review more material, uncover additional issues, and deliver a more complete assessment than was possible before. The result is a better, more reliable work product, not a smaller one.

It is also useful to explain that the complexity of the legal environment is increasing. Industry reviews of the 2025 landscape noted that vendor oversight obligations escalated and continue to do so heading into 2026. AI helps outside counsel and legal departments meet these heightened expectations by giving them better tools, but it does not change the fact that the work itself requires more scrutiny than it did a few years ago. In practice, AI does not eliminate work and instead shifts where attorney time is spent. Hours previously devoted to routine tasks now move toward higher-value activities such as nuanced risk analysis, scenario planning, negotiation strategy, and regulatory interpretation. The total effort often remains the same, but the composition of that effort changes in ways that improve the quality of outcomes.

A helpful way for general counsels to communicate this is to tie AI use to value rather than cost. For example, business leaders often respond well to explanations that AI improves consistency, strengthens risk identification, and shortens the time it takes to reach key decisions, even if the total scope of work stays the same. These outcomes have real business value, especially in time-sensitive or high-stake matters.

When framed this way, AI becomes part of the message that the legal team is innovating, keeping pace with industry expectations, and ensuring the company receives high-quality advice. It also avoids setting unrealistic expectations that legal fees should fall simply because the tools have changed.

Communication With Outside Law Firms

Most general counsels are not trying to control how their law firms run their internal operations. What they do want is confidence that AI is being used thoughtfully and that the firm's workflow still produces reliable, accurate, and defensible work product.

Several questions can help general counsels assess how outside counsels are integrating AI in ways that benefit the business.

1. Ask how AI is incorporated into the workflow

A good starting point is to ask the firm to walk through how AI is used in the matters they handle for you. This is not about technical details. It is about understanding where AI plays a role in the workflow and where human review remains the core of the work.

A clear answer should describe which tasks AI supports, how attorneys review the results, and how the firm ensures that the final work product reflects legal judgment rather than machine-generated output. This aligns with the National Institute of Standards and Technology's December 2025 AI guidance, which recommends documenting how AI tools are validated and supervised to strengthen consistency and accountability in legal workflows.

2. Ask how the firm ensures accuracy

No AI system is perfect. What matters is how the firm mitigates inaccuracies. Ask what steps they take to confirm that the information generated by AI is correct. Ask whether they have guidelines for when AI is not appropriate for a particular task or a particular type of matter.

Firms that have taken AI adoption seriously will be able to explain their guardrails. They will also be able to give examples of where AI helps them catch issues earlier or provide a more complete review than they could have done manually.

3. Ask how AI changes the quality or completeness of work

One of the real benefits of AI is that it can expand what firms are able to review. A document set that once received only a simple review can now be analyzed more thoroughly. Contract comparisons that previously took hours can now be completed faster, allowing more time for substantive negotiation and analysis. Throughout 2025, leading legal observers reported increasing expectations for more robust reviews and stronger vendor oversight across industries.

4. Ask how AI affects timelines and predictability

Predictability is often more important than raw speed. AI can help firms produce more consistent first drafts and more uniform preliminary analyses. Ask how AI has affected the firm's ability to estimate timelines, reduce variability, and provide more consistent deliverables.

A thoughtful firm will be able to explain how AI supports workflow management without overselling its capabilities.

5. Ask how the firm keeps your data protected within AI-enabled workflows

Ask how client data is handled when AI tools are involved. Well-run firms should be able to explain whether the tools they use keep data internal, whether they use approved vendor systems, and how they prevent client information from being exposed to public models.

What Good Answers Sound Like

The best firms will talk about complementing legal acumen with tools that make their work more thorough and consistent. They will be able to explain when AI is used, how attorneys supervise and validate the output, and how the tools help improve outcomes.

They will also be candid about the limitations of AI. They will acknowledge that human judgment remains necessary in interpretation, negotiation, risk balancing, and decision making. As legal and regulatory expectations continue to rise, industry reviews show that companies are facing more complex compliance responsibilities than ever. AI helps address that complexity, but it does not eliminate it.

What This Means for General Counsels

Your goal is to ensure that the use of AI strengthens, rather than weakens, the quality and reliability of the work performed on behalf of your business.

Asking the right questions helps set those expectations so you are prepared for the tough conversations ahead. Asking your law firms these questions encourages transparency, builds trust, and helps you identify which outside counsel are using AI in a way that enhances outcomes rather than simply accelerating internal processes.

Conclusion

Ultimately, the goal is not to reduce legal spend for its own sake but to ensure that every dollar spent produces stronger, more defensible outcomes. AI is a tool that helps both in-house teams and their outside counsel meet a higher standard of quality in an increasingly complex environment. When both sides are transparent about how the technology is used, the relationship becomes more predictable, more strategic, and more aligned with the business's broader goals.

Please contact Lloyd Wilson or another member of Shumaker's Technology, Data Privacy, Cybersecurity & AI Service Line if you have any questions.