LUMO INSIGHTS

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Professional services in the AI squeeze: disrupted from inside and out

Executive Summary

Professional service firms are being squeezed by AI from two directions. Over the past 48 hours, new moves by industry giants, clients, and even tech companies reveal that the traditional advisory model is under attack from both within and outside. Firms are racing to automate their own work and retrain teams, while clients armed with general-purpose AI and emerging competitors are forcing a redefinition of what valuable human expertise means.

AI on the inside: adapt or perish

Professional services firms are aggressively implementing AI to streamline work and stay ahead. Consulting giant Accenture, for example, has put employees on notice that they must integrate AI into their skill sets or leave the firm (www.cnbc.com [1]). In a recent earnings call, CEO Julie Sweet highlighted that advanced AI is becoming part of "everything we do" at Accenture, which has already retrained 550,000 staff in generative AI basics (www.cnbc.com [2]). This massive upskilling drive - backed by an $865 million business optimisation programme and tied to over $1 billion in expected cost savings - shows how serious the firm is about embedding AI in every project and process (www.cnbc.com [3]).

The Big Four and top law firms are likewise overhauling their operations with AI. Each of the Big 4 has introduced proprietary or partnered tools: Deloitte’s DARTbot automates audit document review, PwC has integrated the legal AI startup Harvey and rolled out Microsoft 365 Copilot to its workforce, EY has embedded machine learning into its global audit software and launched EY.ai for tax and advisory work, and KPMG is using Microsoft’s Azure OpenAI service to build AI-driven risk and compliance tools (www.learnsignal.com [4]). In the legal world, a Bloomberg Law survey reports that a majority of law firms are offering - and in some cases mandating - generative AI training for their attorneys (news.bloomberglaw.com [5]). Firms like Eversheds Sutherland even urge their lawyers to devote two hours a week of personal time to become proficient with AI tools (news.bloomberglaw.com [6]). The common theme: future rainmakers must be as adept with AI as they are with law or finance.

However, rushing headlong into AI can backfire without proper oversight. Top firms are learning that AI’s propensity for hallucinations - producing confident but false outputs - can erode trust. KPMG recently had to retract a high-profile AI-written report titled 'Redefining Excellence in the Age of Agentic AI' after finding it was riddled with inaccuracies about clients’ AI usage (techcrunch.com [7]). A third-party analysis traced the false claims to content generated by an AI with insufficient human fact-checking (techcrunch.com [8]). Just weeks earlier, EY similarly withdrew a thought leadership piece when fake references, apparently from an AI content assistant, were discovered in the footnotes (techcrunch.com [9]). These stumbles highlight that even as firms embrace automation, they must bolster governance and quality control. The rush to adopt AI internally needs to be balanced with

rigorous review processes and ethical guidelines, or the credibility of professional advice may suffer.

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Clients take the wheel

Even as firms transform themselves, their clients are finding they can do more with AI in-house - potentially reducing reliance on outside advisors. Nowhere is this shift more evident than in the legal industry. Corporate legal departments' use of generative AI has more than doubled from 23% to 52% within a year (natlawreview.com [1]), now outpacing the adoption rate at many law firms. Importantly, 64% of in-house legal teams expect to cut back on outside counsel as they build up internal AI capabilities (natlawreview.com [2]). That means routine work like first-draft contract review, basic research, and compliance checking - once a reliable revenue stream for law firms - can increasingly be handled by the client's own AI-powered team. Parallel trends are emerging in other corporate functions: armed with user-friendly AI tools, CFOs, procurement chiefs, and HR departments are starting to automate analyses and reports they used to outsource, from financial modelling to talent analytics.

This in-housing of expertise sometimes goes as far as companies launching their own AI-enabled professional services units. In one striking example, equity management platform Carta recently acquired an alternative legal services provider and launched an AI-driven law firm for its customers (www.artificiallawyer.com [3]). Carta's CEO argued that large private equity firms have been paying top law firms high fees for volumes of routine work that they shouldn't have to outsource anymore (www.artificiallawyer.com [4]). By baking an AI-native legal service (with outcome-based pricing and a small team of lawyers for oversight) directly into its software platform, Carta aims to keep that business in-house. The message to traditional firms is clear: if your offering can be replicated by an algorithm plus a few specialists, clients will try to do exactly that.

The newfound self-sufficiency driven by AI is also changing perceptions of external advisors. One industry analysis bluntly suggests that consulting providers are 'no longer seen as essential' for many business needs as organisations turn to advanced AI and internal talent to set strategy (www.thehrdigest.com [5]). Easy access to powerful AI - often built into everyday software - means executives can get data-driven insights or draft plans on demand without bringing in a consulting team. While outside experts can still add value, clients are becoming far more selective, engaging advisors only for high-stakes, complex problems where seasoned human judgment truly makes a difference.

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AI-Native challengers and tech "frenemies"

Traditional firms also face a new wave of competition from tech-driven upstarts and even their own vendors. In the past 48 hours, NordX Consulting officially launched in Europe as an AI-focused consultancy promising to automate business processes and drive down costs for enterprise clients (markets.financialcontent.com [1]). Founded by a former Big Four consultant and a US tech entrepreneur, NordX represents the kind of born-AI professional services firm that runs on lean teams and proprietary automation, unburdened by legacy overhead. As barriers to entry fall, more of these AI-native boutiques are emerging, offering specialised services in areas like data analytics, digital marketing, and supply chain optimisation at a fraction of traditional fees.

Meanwhile, some of the biggest names in tech are encroaching on the services domain. Earlier this month, OpenAI - the creator of ChatGPT - launched a dedicated consulting arm to help companies implement its AI models, following a similar move by rival lab Anthropic (aibusiness.com [2]) (aibusiness.com [3]). It’s a bold attempt to siphon off the digital transformation projects that firms such as Accenture and Deloitte have long handled (aibusiness.com [4]). And it doesn’t stop at direct consulting: OpenAI also unveiled a partner programme with top consultancies like Bain, BCG, McKinsey’s QuantumBlack, and the Big Four, aiming to certify 300,000 AI-fluent consultants by the end of 2026 (thepromptinsider.com [5]). In effect, the very providers of cutting-edge AI are now both collaborators and competitors to traditional service firms - a dynamic that complicates old alliances. Consultancies may find that the tech firms enabling their AI solutions are just as ready to serve those clients themselves.

For incumbent advisors, these developments underscore the need to clarify what sets them apart. Big consultancies have thrived as go-to implementers of new technology; now they must contend with tech giants that have the tools, talent, and deep pockets to replace them in that role. If established firms can’t differentiate - by providing truly independent advice, industry-specific expertise, and integrated human-plus-AI solutions - they risk disintermediation. The professional services landscape in the AI era will favour firms that reinvent themselves to combine human advisory brilliance with technological leverage, rather than those that simply resell technology.

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The human advantage, redefined

All these shifts beg the question: what does "expert human judgment" mean when AI can handle so much of the heavy lifting? It means doubling down on what machines cannot do. AI can instantly analyse data, draft reports, and even conduct due diligence at superhuman speed, but it lacks the emotional intelligence, ethical reasoning, and accountability that veteran advisors bring to the table. An algorithm might scan thousands of documents for red flags, yet it can't gauge the unspoken concerns in a boardroom or navigate the politics of an executive team in crisis (www.forbes.com [1]). A machine can churn through case law and spit out relevant precedents, but it won't command the respect of a courtroom or sway a jury with a human story (www.forbes.com [2]). And while generative AI can propose a business strategy in seconds, it won't shoulder the blame if that strategy fails - unlike a human consultant or CEO, whose skin is in the game when decisions are made.

Far from rendering advisors obsolete, AI may instead split the profession into new tiers (www.forbes.com [3]). Low-level and routine work will be dominated by AI-driven solutions - often delivered by new entrants with radically different economics - while the top end of consulting, law, and accounting will revolve around human creativity, savvy, and trust. As one industry veteran observed, "The human element isn't a bug - it's the entire operating system," highlighting how the best advisors act as strategic confidants with deep context and empathy that no algorithm can replicate (www.forbes.com [4]). For leaders of established firms, the writing is on the wall: embrace AI to supercharge efficiency, but redefine your value proposition around the irreplaceable human judgment and relationships that will be the true differentiators in an AI-shaped future.

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Key Statistics

- Organisation-wide AI use in professional service firms nearly doubled to 40% in 2026 (from ~21% in 2025) ([www.thomsonreuters.com](https://www.thomsonreuters.com/en-us/posts/technology/ai-in-professional-services-report-2026/#:~:text=business%20impact%20and%20strategy%20Key,Communication%20around%20AI%20use%20remains))
- 64% of in-house legal teams expect to rely less on outside counsel thanks to their own AI capabilities ([natlawreview.com](https://natlawreview.com/article/ten-ai-predictions-2026-what-leading-analysts-say-legal-teams-should-expect#:~:text=adopting%20AI%20faster%20than%20their,3))
- AI-driven contract reviews on standard contracts now take ~26 minutes with AI vs ~92 minutes manually (80 - 85% faster), with ~95% accuracy compared to ~80% for human-only review ([stealthagents.com](https://stealthagents.com/research/ai-in-legal-industry-statistics-2026#:~:text=strongest%20and%20most%20consistent%20across,on.%20Contract%20review%3A%20AI%20vs)) ([stealthagents.com](https://stealthagents.com/research/ai-in-legal-industry-statistics-2026#:~:text=26%20minutes%20with%20AI%20assistance,Ironclad%20Contract%20Management%20Research%202025))
- Accenture retrained 550,000 employees in generative AI and invested $865 million in a six-month "business optimisation" programme to retool its workforce, targeting $1 billion+ in cost savings ([www.cnbc.com](https://www.cnbc.com/2025/09/26/accenture-plans-on-exiting-staff-who-

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- OpenAI's partner programme (launched June 2026) is backed by $150 million to certify 300,000 AI-fluent consultants by year-end ([thepromptinsider.com](https://thepromptinsider.com/news/openai-partner-network-2026/#:~:text=OpenAI%20Partner%20Network%20Launching%20with,by%20McKinsey%2C%20PwC%2C%20and%20Eliza))

KEY TAKEAWAY

Professional service leaders must confront a double disruption: AI-powered efficiency is slashing the work (and billable hours) needed for transactional tasks, even as clients and tech firms encroach on their advisory turf. Survival will require reimagining the firm's value proposition beyond routine analysis and reports - focusing on what uniquely human judgment and strategic insight can offer in an AI-driven world.

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