LUMO INSIGHTS

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Professional Services at a Crossroads: AI Pressure from Clients and Within

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Executive Summary

Professional service firms – from elite consultancies to global law firms – are confronting a disruptive two-front war. On one side, their own people are using AI to work faster and smarter; on the other, their clients are leveraging AI to demand better value. New data from the past 48 hours reveals a rapid shift that's forcing a fundamental rethink of how these firms deliver and price their expertise.

Clients Embrace AI and Push Back on Fees

Corporate clients are rapidly adopting AI to handle tasks that they once paid professional service firms to perform. A new global survey by Deloitte found that 61% of in-house legal departments are now in active AI deployment phases, with only 2% of legal leaders reporting no AI adoption – a staggering drop from 76% in 2024 (www.deloitte.com [1]). This surge in client-side AI means more contract reviews, research, and routine analysis can be done internally or automated, reducing dependence on outside advisors. Crucially, 78% of legal department heads say cost reduction is the top benefit they expect from their law firms' use of AI (www.deloitte.com [2]). In other words, clients want to see their law firms *charge less* if tasks are being completed faster by software. This dynamic is tipping the power balance: buyers of professional services are directly questioning why they should pay the same fees for work that generative AI now helps complete in a fraction of the time.

It is not just in law. Similar rumblings are emerging across consulting and accounting. Tasks like drafting reports, basic financial modeling, due diligence and audit testing – once the staple of junior consultants and auditors – are increasingly automated by AI. As one industry observer put it, professional services firms are essentially in the business of "packaging human thinking" for a fee, and that model is coming under strain in an AI-augmented world. Forward-looking clients, from banks to tech firms, are openly pressing service providers to justify their costs in light of AI-driven efficiencies. The message is clear: if algorithms and AI tools are doing more of the work, then the old premium pricing models must change.

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The Billable Hour Reckoning

The traditional billable-hour model – long the bedrock of law firm and consulting revenues – is starting to fracture under the weight of automation. New research indicates that over half of legal professionals believe generative AI has already begun to alter billing practices or will do so in the next year (www.morningstar.com [1]). The logic is simple: if an AI assistant can review a stack of contracts or financial statements in minutes, clients are no longer willing to be billed for days of human work. Deloitte's survey of 121 general counsel and legal operations leaders underscores this: 85% of senior legal leaders expect AI to change how law firm pricing works, predicting that hourly billed work will plummet from 72% of legal work today to just 44% within two to three years (www.deloitte.com [2]). In other words, the billable hour's dominance could be cut nearly in half by 2029, as alternative fee arrangements – from flat fees and subscriptions to value-based pricing – gain traction.

Early signs of this shift are already visible. For example, an industry report by Everlaw finds more than half of surveyed legal professionals agree that generative AI is creating new pressure on the billable-hour model (www.morningstar.com [3]). Some lawyers even admit that AI enables them to handle matters so much faster that they've had to reduce hours on client invoices. Forward-thinking firms are responding by experimenting with outcome-based or fixed-fee billing and productized services, essentially decoupling fees from time spent. Those slower to adapt, however, risk revenue compression. As routine analytical work is increasingly absorbed by AI, any firm still clinging to hourly billing will face uncomfortable questions from clients about why they should pay old rates for new levels of efficiency.

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Firms Automating the Work – and Cannibalizing Hours

Even as clients push back, professional service firms themselves are enthusiastically adopting AI to boost productivity and cut costs internally. Nearly half (49%) of lawyers now use generative AI tools in their day-to-day work, up 12 percentage points from a year ago (www.morningstar.com [1]). These tools are rapidly taking over labor-intensive tasks such as legal research, document drafting, basic data analysis, and financial modelling, dramatically reducing the time professionals spend on grunt work. According to Everlaw's *2026 Legal AI Adoption & Impact Report*, 17% of legal professionals say generative AI saves them 5 to 10 hours of work each week, up from just 8% last year (www.morningstar.com [2]). In a 100-lawyer firm, reclaiming five hours per attorney per week is like adding the output of 10 full-time lawyers – without hiring anyone new (www.morningstar.com [3]).

Consultancies and accounting firms likewise report major efficiency gains in tasks like data processing, slide generation, and routine auditing thanks to AI. The Big Four and top strategy firms are pouring billions into AI initiatives, both to enhance client services and to streamline their own operations (thefinancestory.com [4]) (thefinancestory.com [5]). Accenture's latest move illustrates this drive to "auto-consultant" their workflows: the firm's venture arm has invested in a startup called Within and formed a partnership to embed AI agents into business process consulting. The goal is to automate process mapping and routine implementation work at scale, so consultants can deliver results faster and target more complex problems (newsroom.accenture.com [6]) (newsroom.accenture.com [7]). In Accenture’s survey of 3,000 C-suite leaders, 82% said they are increasing AI investments, yet only 23% have achieved broad, sustained value from these technologies so far (newsroom.accenture.com [8]). This underlines why consulting firms are betting on sophisticated process-mapping AI: to bridge the gap between AI’s promise and real operational impact for clients. By showing exactly *how* work gets done in an organization – including all the informal workflows and manual steps that never make it into official process charts – tools like Within’s "Work Brain" give both human consultants and AI systems a clear roadmap for automation opportunities (newsroom.accenture.com [9]) (newsroom.accenture.com [10]). In essence, the consultants are using AI to bottle their own secret sauce: codifying expertise and best practices into software that can do a lot of the heavy lifting.

Yet this pursuit of efficiency carries a Catch-22: the more a firm succeeds in automating its services, the more it may erode its traditional revenue model that relied on charging for human hours. Firms are walking a tightrope, using AI to stay competitive and profitable – but if they cannot find new ways to monetize the value they create, those efficiency gains could come at the expense of their own billings.

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Redefining Expert Judgment in the AI Era

With AI increasingly handling analysis, research, and repetitive tasks, the core value proposition of professional services is shifting towards higher-level human judgment. In Deloitte’s legal industry study, 96% of general counsel said technology and AI literacy will be essential skills for their lawyers, yet 84% of organizations have not yet redefined roles or workflows to harness AI’s potential (www.deloitte.com [1]). This highlights a looming question for the entire advisory sector: what, exactly, will human experts do in an era when machines can draft contracts, write code, or pore through due diligence data in seconds? The answer, emerging from thought leaders and early adopters, is that human professionals will focus on what AI cannot easily replicate – strategic insight, ethical and legal risk evaluation, creativity, and interpersonal advisory skills.

The example of Garfield AI – the semi-autonomous law firm that recently won a case with minimal human intervention – is a double-edged sword. On one hand, it delivered affordable justice (just a £400 fee for a trial that a traditional firm might have billed many times more (representai.co.uk [2])) by leveraging AI to handle case prep and research. On the other, it starkly illustrates that much of what junior lawyers and paralegals used to do can be automated. Law firms, consultancies, and accounting practices will need to redefine their junior talent models, career paths, and training. The future of these firms will hinge on elevating human experts to roles where they exercise judgment, context, empathy, and problem-solving in partnership with intelligent machines, rather than competing with those machines head-on.

To remain indispensable, professional service providers must pivot from selling time to selling outcomes and trust. That means doubling down on capabilities that augment AI – such as deep industry expertise, innovative thinking, and the human touch in understanding client context. The firms that thrive will be those that use AI to enhance their own expertise and transparency rather than hide behind it. As clients adopt their own AI and alternatives like AI-driven platforms emerge, the onus is on traditional firms to prove why their counsel is worth the premium. In short, the age of AI doesn't eliminate the need for expert human judgment – it makes that judgment the differentiator that consulting, legal, and advisory firms must now consciously cultivate and clearly communicate.

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Key Statistics

- 61% of legal departments are now in AI deployment phases, with only 2% reporting no AI adoption (down from 76% in 2024) ([www.deloitte.com](https://www.deloitte.com/uk/en/about/press-room/ai-set-to-reshape-legal-work-law-firm-pricing-and-legal-careers.html#:~:text=%2A%2061,the%20leading%20benefit%20they%20want)).
- 17% of legal professionals say generative AI saves them 5–10 hours per week, up from 8% last year ([www.morningstar.com](https://www.morningstar.com/news/business-wire/20260924816051/generative-ai-becomes-the-new-standard-for-legal-work-in-just-four-years-putting-the-billable-hour-under-pressure-everlaw-report-finds#:~:text=cautious%20adoption%20to%20actively%20seeking,will%20do%20so%20within%20the)).
- 85% of legal leaders expect AI to change law firm pricing, as the share of work billed hourly could drop from 72% today to 44% in 2–3 years ([www.deloitte.com](https://www.deloitte.com/uk/en/about/press-room/ai-set-to-reshape-legal-work-law-firm-pricing-and-legal-careers.html#:~:text=%2A%2078,within%20two%20to%20three%20years)).

KEY TAKEAWAY

Professional service leaders face a dual squeeze: clients armed with AI are demanding better value while AI inside firms automates traditional tasks. Tomorrow's winners will refocus on true human expertise, not billable hours, to stay indispensable.

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