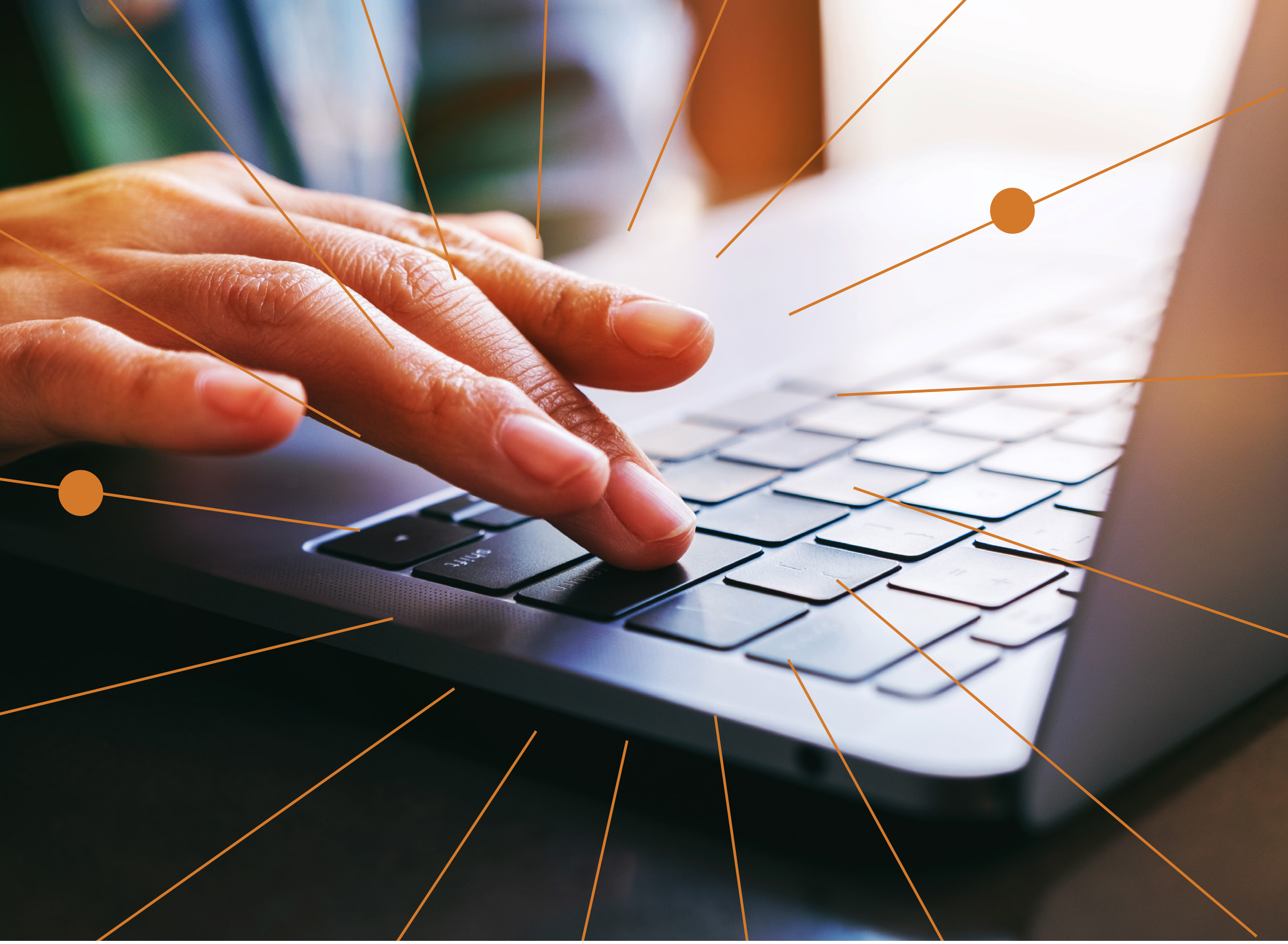

The AI-driven future of legal efficiency

Quantifying the hidden costs of write-downs and unlocking new opportunities

Thomson Reuters Institute

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The legal industry is at an inflection point. The rapid advancement of generative AI (GenAI) has sparked countless discussions about use cases — how AI can aid in legal research, contract review, document drafting, and other frontiers.[1]

For law firms, experimentation is a critical first step in developing AI fluency across the organization. However, firms often overlook a far more pressing issue: millions of dollars are slipping through the cracks due to inefficiencies in how legal work is performed and billed.

Millions of dollars in potential revenue are slipping through the cracks at law firms due to inefficiencies.

As firms explore AI-driven solutions, it is also essential to keep a human-centered and client-centered approach — one that enhances the way lawyers work rather than replacing core aspects of legal expertise, mentorship, and client relationships. Indeed, AI should not be viewed merely as a means to reduce human input, but rather as a tool to elevate legal service delivery. This, in turn, will make lawyers more effective, insightful, and responsive to client needs, ultimately unlocking additional value.

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1 For example, a working group from RAILS (a coalition of experts from law firms, corporate organizations, and academia) hosted by Duke Law School Center on Law & Technology recently published a series of use cases. See https://rails.legal/resources/use-cases.

Quantifying the true cost of legal inefficiencies

Billing inefficiencies are a hidden tax on law firms, and it is one that most firms fail to fully quantify. In fact, the average partner writes down 300 hours of ***their own*** time each year — and that does not account for billable time worked by other timekeepers that the partner will ultimately write down as well, according to the Thomson Reuters Institute's report, *Law Firm Billing Efficiency and Write Downs*.[2] And this also doesn't account for the other silent write downs the report attempts to quantify.

Billing inefficiencies are a hidden tax on law firms.

What is clear, however, is that when seemingly trivial increments of time are added up across every timekeeper at a given firm, multiplied by the firm's hourly rates, the consequences can easily total millions of dollars in evaporated revenue.

The value of lost partner time

Silent and reported write downs

	Unreported hours	Reported hours	Rate	Cost per partner	Number of timekeepers	Cost to the firm
Correcting associate work	14.0	53.1	$500	$33,550	100	$3,355,000
Getting up to speed	19.4	51.9	$500	$35,650	100	$3,565,000
Total hours	**33.4**	**105**			**Total cost**	**$6,920,000**

Source: Thomson Reuters 2025

As the figures above demonstrate, at an average billing rate of $500 — modest for many of today's large law firms — this hypothetical law firm with 100 partners has put nearly $7 million dollars in jeopardy, and that's just from partners writing down their own time for only these two routine tasks. Add into that, additional timekeeper time and a larger number of legal tasks and that total in dollars lost balloons rapidly.

Much of this time is not inherently *non-billable*; rather, it is better described as *unbilled*. There's nothing in the nature of this particular work that suggests it *couldn't* be billed to the client, but for whatever reason, the partner has decided that it *shouldn't* be billed. Frequently, this decision is arrived at because the work performed took too long, giving the partner the feeling that it has become too expensive. What is critical to understand, however, is that often the inflated amount of time spent producing legal work is due to inefficiencies that AI can help reduce or eliminate.

2 See Billing Efficiency and Write Downs Report, Thomson Reuters Institute; available at: https://www.thomsonreuters.com/en-us/posts/wp-content/uploads/sites/20/2024/04/Law-Firm-Billing-Write-Downs-2023-1.pdf.

Top 5 areas of revenue leakage

Source of leakage	Annual impact on partners[3]	Annual impact on senior associates	Annual impact on junior associates
Getting up to speed on new areas of law	71.3 hours	7.4 hours	48.9 hours
Correcting or revising associate work	67.1 hours	9.1 hours	26.0 hours
Legal research (online & books)	37.3 hours	15.9 hours	46.0 hours
Drafting briefs & litigation documents	17.5 hours	9.9 hours	26.2 hours
Replacing another attorney on a matter	16.2 hours	4.1 hours	11.6 hours

Source: Figures adapted from the Thomson Reuters Institute *Law Firm Billing Efficiency and Write Downs* (2023). Firm-wide Impact includes lost value of both recorded time and silent write downs.

Source: Thomson Reuters 2025

These aren't just operational issues — they are profitability and client-value issues. Every hour that goes unbilled due to unnecessary rework, knowledge gaps, or inefficient processes represents lost revenue that AI can help reclaim while also delivering better, faster service to clients.

What's more, each of these areas can readily be addressed by application of AI solutions *without* incurring the loss of billable hours so many attorneys fear. Anecdotally, one of the common objections to adoption of AI by lawyers is the detrimental impact the increased efficiency will have on billable hours. Given the number of hours already lost to *inefficiency*, these lawyers should instead see AI as a welcome opportunity to reduce the amount of time they spend working but not billing, refocusing that time instead to more value-added and ultimately profitable work.

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3 For this hypothetical, we use the example of a law firm with 100 lawyers; broken out as 40 partners, 30 senior associates (5 or more years of experience), and 30 junior associates (0-5 years' experience). Hours are as reported by respondents to a survey of 315 attorneys reporting on their write-down practices for both their own time and the time of other timekeepers working on matters for which they had billing responsibility.

From revenue leakage to AI strategy: A framework for smart adoption

Rather than myopically focusing on AI as a productivity tool for specific tasks, law firms should begin with a holistic revenue leakage analysis — examining where work inefficiencies have translated into direct financial losses.

To better understand where deployment of AI could yield the quickest and most impactful results, law firms would be better served by adopting a structured framework that aligns AI solutions with financial impact areas while keeping legal professionals and their clients at the center of decision-making. This approach ensures that AI investments directly improve both profitability and client value, supporting the lawyer-client relationship by delivering higher-quality work, faster turnaround times, and more strategic counsel.

A framework for AI adoption

1. **Identify where revenue is leaking** — Use billing data, realization rates, and data coded to timekeeper write-downs to pinpoint high-loss areas. Then evaluate silent write-offs, partner-led fee adjustments, and client disputes, with an emphasis on understanding client expectations for efficiency and value as well as understanding where those expectations are coming from.

2. **Analyze the root causes** — Is lost revenue caused by training inefficiencies, knowledge gaps, redundant research, or manual tasks? Identify whether inefficiencies stem from process bottlenecks, technology gaps, or misalignment with client needs.

3. **Map AI capabilities to financial impact** — Determine how AI-powered research tools, document review platforms, and other solutions can solve specific inefficiencies. Ensure that AI is working to maximize revenue retention and enhance responsiveness to clients while keeping lawyers in control of key decision-making processes.

4. **Measure financial improvements** — Track AI-driven time savings, realization rate increases, and reductions in write-downs. Compare AI-assisted work against traditional workflows to quantify where efficiencies are being gained without loss in quality of work or depth of legal analysis.

5. **Scale AI adoption based on return on investment (ROI)** — Expand AI usage in areas in which demonstrable revenue gains are seen. Shift away from use case pilots and focus instead on firm-wide operational transformation that maintains high-touch, human-led client service.

Source: Thomson Reuters 2025

Applying the framework: AI strategies to reduce revenue leakage

By starting with a leakage analysis that covers both revenue and time, law firms can then prioritize AI investments in those areas that will drive the most financial value while best improving client outcomes. While it may be difficult to pinpoint leakage directly given current data collection practices, the *Law Firm Billing Efficiency and Write Downs* report, as mentioned, provides a robust blueprint as to where to get started.

	Addressing knowledge gaps	**Reducing partner time on associate work**	**Improving matter transitions**
Time and revenue leakage *(lawyer per annum)*	Lawyers spend excessive billable hours getting up to speed on unfamiliar legal issues *(Partner hours: 71.3, Associate hours: 42.7)*	Partners frequently revise associate work, leading to billable time write-downs. *(Partner hours: 67.1, Associate hours: 40.1)*	Lawyers spend billable time getting up to speed on case details when taking over a matter. *(Partner hours: 16.2, Associate hours: 9.3)*
AI solution	Implement AI-driven legal research tools that provide instant case law summaries, regulatory insights, and precedent analysis.	Deploy AI-powered document-review tools to flag inconsistencies, improve formatting, and refine contract language before partner review.	Use AI-generated matter summaries to streamline knowledge transfer among attorneys.
Expected ROI	Reduction in time spent on research by 30% to 50%, improving realization rates on legal research tasks.	Reduction in partner review time by 25% to 40%, improving profitability on associate-led work and delivering faster turnaround to clients.	Reduction in on-boarding time by 40%, ensuring seamless client service without lost revenue.
Human-centered design consideration	Balancing efficiency with lawyer development — ensuring AI does not eliminate critical learning opportunities for associates.	Maintaining mentorship and training for junior attorneys despite efficiency improvements in review cycles.	Enhancing client confidence by ensuring smooth matter transitions and preserving institutional knowledge.
Client value impact	Faster access to legal insights means more informed decision-making and higher-quality legal advice.	Improved document quality and faster turnaround times enhance client satisfaction.	Seamless attorney transitions reduce client frustration and ensure continuity in service delivery.

These are but a few examples from the report. Using this framework, firms can conduct their own studies, then tailor their AI roadmaps to respond to the greatest needs with maximum impact and return on investment.

Corporate law departments can similarly benefit as they face their own versions of these challenges. For them, the concern may not be as closely related to revenue generation, but these problems unquestionably have a detrimental impact on department productivity, capacity, and output.

Client value: The guiding principle for AI

While firms look to capture lost revenue and improve efficiency, AI adoption must remain client centered. AI is not just a tool for internal cost savings — indeed, it should be leveraged to deliver greater value to clients by enhancing legal service quality, responsiveness, and strategic insight.

3 key ways AI can enhance client value

1. **Delivering faster, more informed legal insights** — AI-assisted research tools allow attorneys to provide quicker, more comprehensive guidance to clients.

2. **Ensuring seamless matter transitions** — AI-powered knowledge management tools ensure that client handoffs are smoother, preventing disruptions in service.

3. **Focusing attorney time on high-value advisory work** — By automating routine legal processes, firms free up lawyers to focus on complex client challenges and strategic decision-making.

Source: Thomson Reuters 2025

By framing AI adoption around client value rather than just cost reduction, firms can position themselves as forward-thinking, client-driven advisors rather than mere service providers. Not coincidentally, that is exactly the kind of service orientation for which clients are expressly asking.[4]

4 See the *State of the Corporate Law Department* report, (March 25, 2025), Thomson Reuters Institute; available here: https://legal.thomsonreuters.com/en/insights/reports/state-of-corporate-law-department-report.

Conclusion: A human-centered, client-centered approach

The findings from the *Law Firm Billing Efficiency and Write Downs* report are not new or necessarily ground-breaking. For years, the legal industry has lost millions of dollars annually to inefficiencies. What is different now is the readiness of clear ways to address some of these challenges directly and quickly. The solution is not simply more technology — it's a more thoughtful approach to and application of technology that keeps both lawyers and clients at the center.

By shifting AI adoption from an exercise in identifying use cases to one focused on identifying and eliminating revenue leakage while enhancing client value, firms can:

- Capture more billable value while reducing wasted hours
- Reduce inefficiencies while improving client responsiveness
- Strengthen legal talent development and mentorship
- Build an AI-first financial strategy that improves client outcomes

The law firms and corporate legal teams that take this approach *now* will be the ones that set the new standard for legal service excellence. In the end, those organizations that deploy GenAI to free their lawyers of drudgery and low-value tasks will be in a stronger position to devote more resources to things that matter — lawyer formation and delivering on the promise of high-value legal service.

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