

## Artificial Intelligence’s Impact on Legal Services Businesses

**Adam Bryce**

Legal Practitioner Director, Firstinfo Pty Ltd

### Abstract

The rapid advancement of generative AI is fundamentally transforming the delivery, pricing, and structural foundations of the global legal services industry. This paper examines how AI-driven efficiency gains—exemplified by over hundred-fold productivity boosts in specific drafting tasks—are challenging the traditional dominance of the billable hour model. As AI compresses the time required for routine reasoning, analysis, and drafting, law firms face a "value paradox" where increased efficiency threatens traditional revenue streams. Consequently, the industry is seeing a gradual but necessary shift toward alternative fee arrangements, such as fixed or value-based pricing, to align legal costs with expertise and outcomes rather than labour hours.

Beyond pricing, AI is catalysing a shift from labour-intensive "pyramid" staffing models toward scalable, product-driven business structures that resemble technology enterprises. While large global firms are making multi-million-dollar investments to build proprietary AI capabilities, the technology also offers a levelling effect, allowing "AI-native" boutique firms to compete by operating with leaner, flatter teams. Despite fears of displacement, historical precedents like the "Jevons paradox" suggest that lowering the cost of legal services may ultimately expand total market demand. This paper concludes that while AI will not replace the core value of human judgment, it necessitates a radical reinvention of legal economics to favour agility, innovation, and client-centric value in a technology-enhanced marketplace.

