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BRIDGING THE PERCEPTION GAP – DISCONNECTS, EXPECTATIONS, AND OPPORTUNITIES

How much innovation do clients expect—
and where are law firms missing the mark?

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A MESSAGE FROM THE MANAGING PARTNER

Nearly 200 senior in-house counsel participated in this year's study, offering candid perspectives on how law firms are meeting—and in some cases falling short of—their expectations for technology, process, and collaboration. Their feedback provides a valuable roadmap not only for our firm but for the profession at large: clients want practical, outcome-driven solutions that deliver efficiency, transparency, and measurable business value.

The findings are clear: clients expect practical solutions that combine technology, process, and collaboration. At Thompson Hine, our SmartPaTH™ platform was built around these priorities—using project management, alternative staffing, data-driven decision-making, and emerging technologies, including responsible use of generative AI, to deliver predictable and cost-effective results.

Perhaps most importantly, the survey underscores that innovation cannot succeed without trust and communication. Too often, clients are unsure of what tools their firms are using on their behalf. That is a call to action for us all. We are committed to demystifying the tools we use, sharing meaningful metrics, and co-creating solutions with clients.

We hope this report sparks new conversations, challenges assumptions, and drives the profession toward more client-centered innovation. At Thompson Hine, we remain focused on ensuring that every investment we make in innovation translates into practical, forward-thinking, and impactful solutions for those we serve.

Tony White
Managing Partner

DEMOGRAPHICS AND METHODOLOGY

In 2013, Thompson Hine launched a dialogue with legal service buyers about the role of innovation in the profession. That conversation continues today. What we learned inspired **SmartPaTH™**, our client-centric approach to legal services that prioritizes outcomes over one-size-fits-all solutions. By leveraging data, metrics, and emerging technologies, SmartPaTH tailored efficiencies and cost savings.

Our early work was groundbreaking, planting the first seeds in what would become a transformed landscape in the legal industry. In 2017, we expanded the conversation, launching the Thompson Hine Innovation Survey, a first-of-its-kind effort to measure law firm innovation from the client's perspective. This is our fourth survey. We evaluated respondents' primary law firms' innovation successes, misses, and opportunities through the use of people, processes, and technologies, such as generative (Gen) AI.

This year, we partnered with *Corporate Counsel* to assess **how and where corporate legal departments are embracing innovation**. The findings reflect insights from nearly 200 in-house counsel and other legal service decision-makers across the country.

THE SURVEY POOL REPRESENTS A WIDE RANGE OF INDUSTRIES, COMPANY SIZES, AND JOB ROLES. A FEW FACTS ABOUT RESPONDENTS:

49%

have been **positioned to directly hire or influence legal services purchases** for at least 10 years.

27%

report that **technology** best categorizes their business. **Finance** came in a distant second at

13%.

Demographics and Methodology

24% of the respondents lead their company's legal departments as **chief legal officers** or **general counsel**.

32% serve as **assistant/associate/deputy GCs**.

55% serve in the **legal operations** of their law department.

50% of the respondents work at companies with **annual revenue exceeding a half billion dollars**.

Among their departmental responsibilities, respondents say their legal work includes:

contracts	transactions	regulatory	litigation	intellectual property
71%	66%	49%	48%	40%

We define "innovation" as any process or tool that improves the delivery of legal services and/or enhances efficiency, usually by leveraging better workflows, alternative staffing models, advanced use of data and analytics, and/or the integration of technology tools.

We define "innovative technology" as the use of predictive analytics, algorithms, and AI (including machine learning, natural language processing, Gen AI, etc.) to enhance predictability, efficiency, and transparency, and ultimately drive better legal service delivery.

Due to rounding, percentages in the graphics may not add up to 100%.

For purposes of this survey, we interchangeably reference the pool of survey takers as respondents, clients and in-house counsel. We reference their primary outside law firms as law firms, outside counsel, and simply firms.

INTRODUCTION

LEGAL SERVICE MODELS CONTINUE TO EVOLVE IN TANDEM WITH CLIENTS' RISING EXPECTATIONS ABOUT INNOVATION. IN-HOUSE COUNSEL EXPECT MORE THAN COST SAVINGS AND MINOR EFFICIENCY IMPROVEMENTS.

In-house counsel seek unique insight and transformative results from their outside counsel. After all, in their own operations, they rely on sophisticated predictability tools to accurately assess outcomes, guiding their decisions from an informed stance. To meet these expectations, primary firms must demonstrate a deep understanding of clients' business operations and culture, recognize key pain points, and weigh risks against potential rewards. And, as always, excellence in client service delivered at a reasonable, transparent price is a must.

For over a decade, there has been a consistent divide between in-house counsel's quest for innovation and what law firms deliver. This year's survey evaluates both sides of the equation by measuring the innovations that firms claim they provide and comparing them with what the clients actually experience. It also measures clients' expectations, successes, and misses.

Not surprisingly, the results continue a decade-long trend of significant disconnects. In some cases, the gaps stem from poor communication. For example, a large number of in-house counsel report not knowing whether firms use certain tools on their behalf. This information is not necessarily bad news. Blank spots offer a key opportunity for conversation, engagement, and growth.

Innovation requires vision, and vision is fueled by collaboration. Without clear, two-way communication, even the most powerful innovations can fall flat. Firms must do a better job of truly listening to what clients want, need, and expect and clearly communicating their strategies in response. The greatest opportunities arise when firms bring forward innovations that adapt to clients' realities and demonstrate genuine value through flexibility and alignment.

The data also reveals gaps in trust, which—in addition to inconsistent communication—is likely driving concerns about security and costs. Adopting processes that include communication tracking tools and promote collaboration may be among the most effective ways to rebuild trust and surface better solutions.

Make no mistake—innovation gaps can be closed. The survey shows that firms are making progress, albeit slowly. Longtime divides are beginning to narrow as firms and clients work together to bridge the greater chasm.

MEASURING THE GAP

Since the survey's inception, in-house counsel have consistently recognized that their primary law firms provide at least some **innovation**. Over the years, only a handful said their firms provided "a great deal" of innovation.

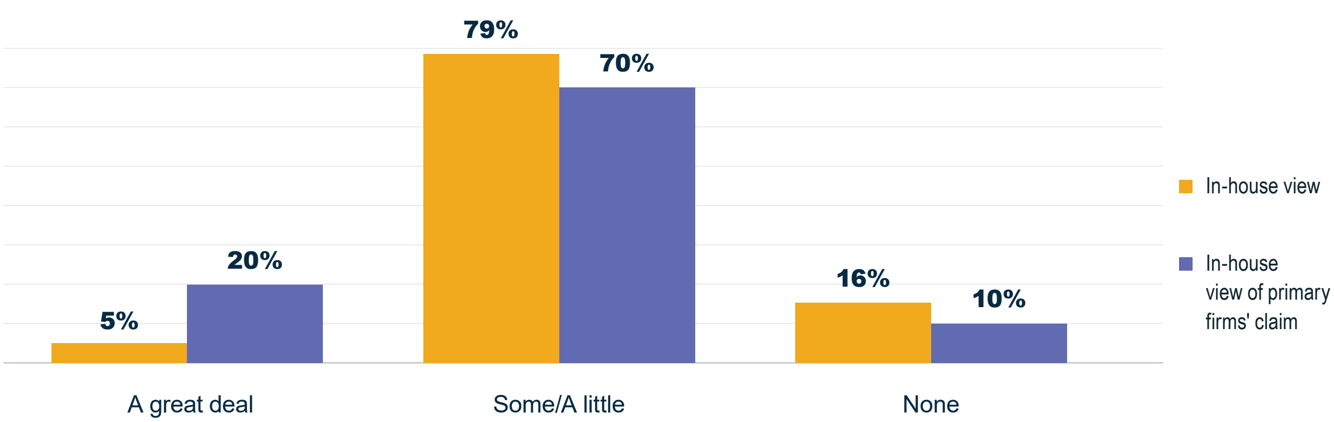
This year is no exception, with "a great deal" only increasing from 3% to 5% over the past five years. More than one in three respondents in 2023 and 2020 denied seeing any innovation from their firms.

THROUGH THE YEARS: HOW MUCH INNOVATION CORPORATE LEGAL BUYERS SAW FROM THEIR PRIMARY FIRMS

Innovation As Seen By Corporate Legal Buyers	2025	2023	2020
A great deal	**5%**	**5%**	**3%**
Some/A little	**79%**	**60%**	**57%**
None	**16%**	**35%**	**40%**

Clients and firms value innovation through different lenses, creating a gap in perception. To measure the gap's width, we asked in-house counsel **how much innovation primary firms claim to have provided**. While in-house counsel report one in five primary law firms claim to have provided a great deal of innovation in the past year, just one in 20 in-house counsel saw firm contributions in the same light.

INNOVATION PERCEPTION GAP



Over the past couple of years, however, the split has narrowed between **how legal departments rate their own innovative measures and those that their firms deliver**. In 2023, a combined 60% of in-house counsel saw a gap between their law department's innovative use of people, process, and technology and what was provided by their law firms. **In 2025, a combined 43% see the gap.** Two-fifths (42%) now qualify their primary law firm's contributions as equal to theirs, up from 28% two years earlier, again signaling improvement.

Roughly one-fourth (27%) of this year's respondents rate their own law department's innovative uses as superior to those of their outside law firms, down considerably from 48% in 2023. Similarly, 16% say their law firms' innovations are superior, up four percentage points from the previous survey.

Just 12% of respondents report truly innovating in partnership with their firms—a figure that has remained unchanged from 2023 to 2025. This underscores the ongoing need for integrated collaborative tools and processes to help turn innovative ideas into meaningful results. Both clients and law firms could be missing significant opportunities to work together to co-develop solutions and drive innovation. By not fully leveraging each other's expertise and perspectives, they may be overlooking ways to achieve more effective, tailored, and forward-thinking outcomes.

IS THERE A GAP BETWEEN YOUR LAW DEPARTMENT'S INNOVATIVE USE OF PEOPLE, PROCESS, AND TECHNOLOGY AND YOUR PRIMARY OUTSIDE LAW FIRMS'?

Innovation Gap Between Law Departments and Primary Counsel	2025	2023
We are superior	**27%**	**48%**
Our law firm is superior	**16%**	**12%**
We are equal	**42%**	**28%**
Our primary outside law firms supply us with all of our innovation	**3%**	**0%**
We are innovating together	**12%**	**12%**

A LOOK IN THE MIRROR

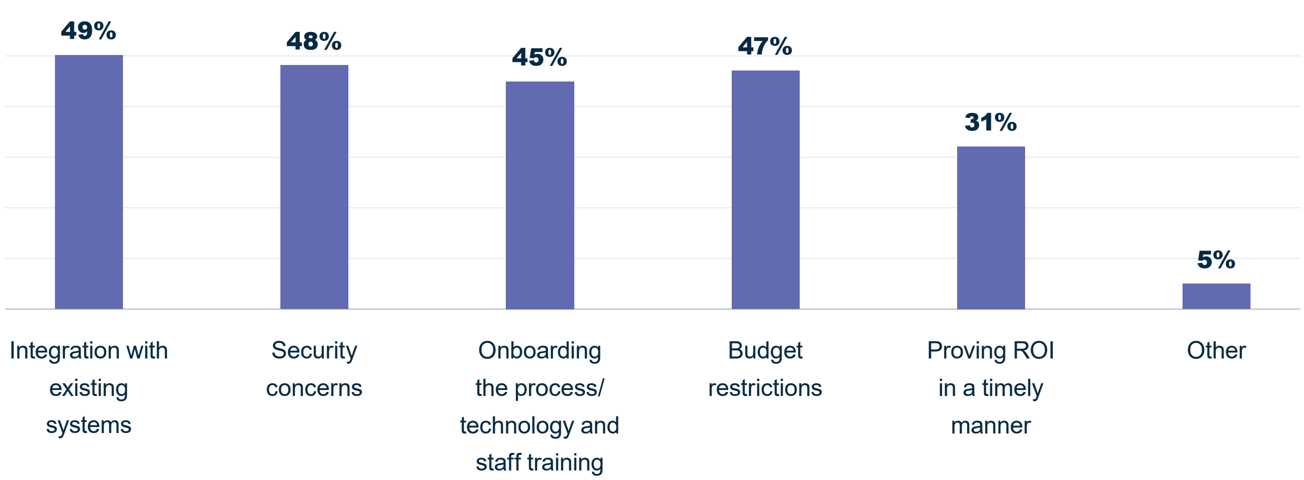
Respondents recognize there is room for improvement in their corporate legal departments' innovative processes and practices.

Just 30% of the respondents categorize their own law department's innovation efforts as "strong, constantly evaluating new processes and technologies in an effort to improve workflow and services." The majority (57%) say their law departments are "open to innovation, but it is not a priority." Without clear focus and commitment, innovative efforts often stall, limiting their potential to drive real change or deliver meaningful value. The remaining 14% of respondents say their legal departments are hesitant to change internal workflows.

Illustrating their reluctance, one-third (32%) report their legal departments do not use AI or data analytics. The most frequently cited legal department uses of AI/data analytics are contract management (36%), department operations (32%), and transaction management (28%). The least frequent uses are IP protection (9%) and predicting litigation outcomes (7%).

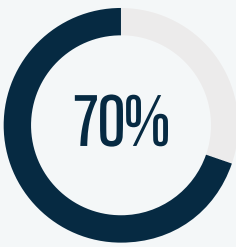
When asked **what factors pose the greatest challenges or obstacles to their law departments' adoption of new processes or legal technologies**, half (49%) cited integration with existing systems, 48% pointed to security concerns, and 45% pointed to challenges in process onboarding and staff training.

CHALLENGES / OBSTACLES

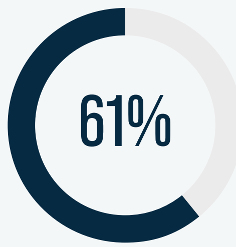


ASKED TO IDENTIFY AND EVALUATE TASKS WHERE THEIR LAW DEPARTMENTS HAVE USED DATA-DRIVEN INNOVATIVE TECHNOLOGY IN THE PAST YEAR, RESPONDENTS REVEALED SOME OF THE MORE SURPRISING RESULTS.

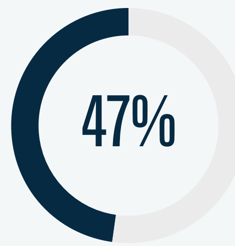
In every category, the majority of respondents say they do not use data-driven innovative technology, successfully.



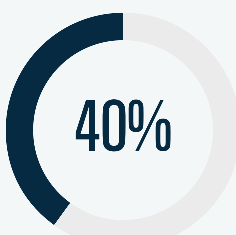
do not use
for IP portfolio
analysis



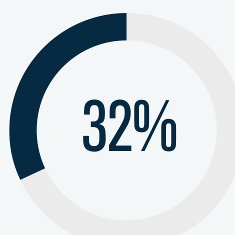
do not use
for E-discovery or
predictive analytics



do not use
for internal
communication



have experienced
mixed success
with legal research



have experienced
mixed success
with automation
of routine/
administrative
tasks

Law Department Data-Driven Innovative Technology	Use regularly with full adoption	Have used with mixed success	Have experimented but experienced failures	Don't use
Internal communication (e.g., threaded discussions or chatbots)	**26%**	**13%**	**14%**	**47%**
Automation of routine/administrative tasks	**16%**	**32%**	**13%**	**38%**
Legal research	**15%**	**40%**	**13%**	**33%**
Document drafting	**14%**	**38%**	**11%**	**37%**
Post-execution contract life cycle management	**13%**	**24%**	**7%**	**55%**
Knowledge management systems	**11%**	**27%**	**9%**	**53%**
Pre-execution contract reviews	**10%**	**29%**	**9%**	**52%**
Legal spend analysis	**10%**	**22%**	**11%**	**57%**
Transaction management	**9%**	**28%**	**11%**	**52%**
Predictive analytics (trends and patterns in industry, courts, information about opposing counsel, players, judges)	**9%**	**21%**	**9%**	**61%**
Project management	**9%**	**29%**	**11%**	**50%**
E-discovery	**7%**	**28%**	**4%**	**61%**
IP portfolio analysis	**7%**	**15%**	**8%**	**70%**
Due diligence	**5%**	**29%**	**9%**	**57%**

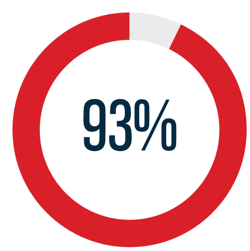
CLIENTS TELL FIRMS WHAT THEY REALLY WANT

A pattern in this year's data is the high number of respondents who indicated they did not know if their firms used certain tools, technologies, or practices on their behalf. When asked **to identify measures that their firms had used to alleviate legal department pressures**, 40% did not know if their firms provided outsourced services or if they used predictive analytics tools.

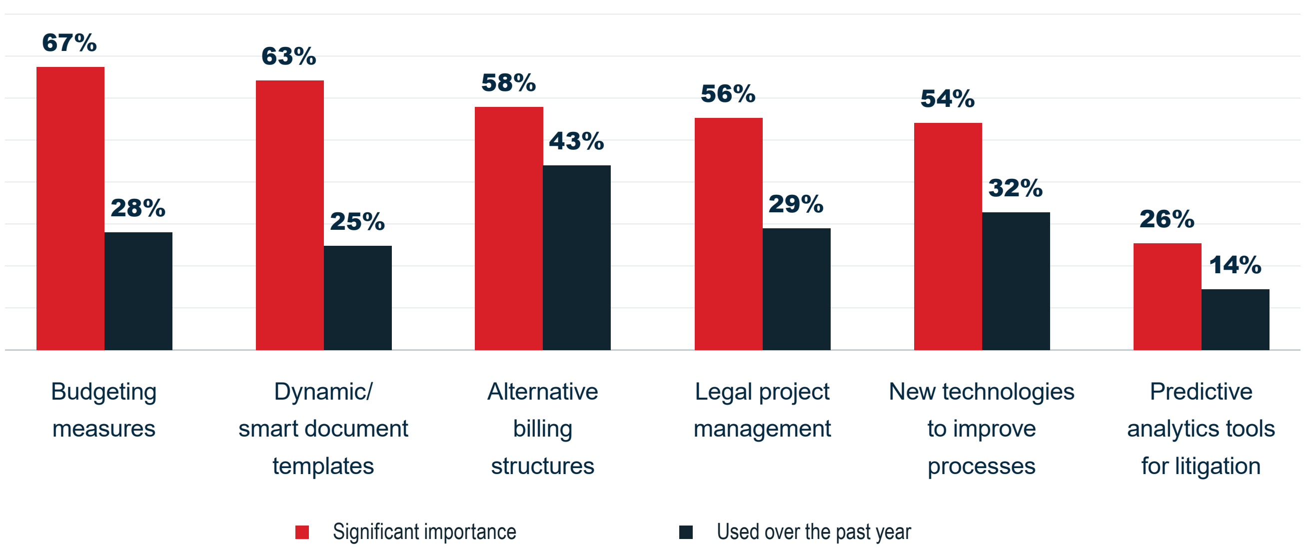
Billing remains a pain point for corporate legal departments, with 43% indicating their firms have used alternative billing methods in the past. Still, 18% do not know if alternative billing is used. Separately, 28% say firms provide them with regular, reliable budget forecasts. These highlight a significant gap in financial transparency, planning, and reporting.

Just 29% report firms provided process improvements or legal project management. Yet 24% were unsure.

93% OF RESPONDENTS SAY INNOVATION IS CRITICAL OR PLAYS AN IMPORTANT ROLE IN THEIR SELECTION OF OUTSIDE LAW FIRMS.



What innovations would you consider important for your law firms to deliver? Which ones have your primary outside law firms used over the past year?



WHICH OF THE FOLLOWING ACTIONS OR MEASURES HAVE YOUR PRIMARY OUTSIDE LAW FIRMS USED OVER THE PAST YEAR TO ALLEVIATE THE PRESSURES YOUR LAW DEPARTMENT IS FACING?

Primary Outside Law Firm Actions/Measures	Yes	No	Don't know
Alternative billing structures	**43%**	**38%**	**18%**
Training of the law department team	**34%**	**46%**	**21%**
New technologies to improve processes or drive efficiency	**32%**	**42%**	**26%**
Legal project management or other process improvements	**29%**	**47%**	**24%**
Client portals	**29%**	**54%**	**17%**
Reliable, detailed budgets and forecasting (weekly, monthly, quarterly)	**28%**	**51%**	**22%**
Dynamic/smart document templates	**25%**	**54%**	**21%**
Alternative staffing models including secondments	**24%**	**49%**	**27%**
Self-service tools powered by technology	**24%**	**53%**	**23%**
New discovery approaches	**18%**	**38%**	**43%**
Matter analytics dashboard(s)	**16%**	**59%**	**26%**
Outsourced services (e.g., ALSPs)	**14%**	**46%**	**40%**
Predictive analytics tools for litigation or transactions	**14%**	**47%**	**40%**
Quick answer hotlines	**11%**	**67%**	**22%**

The survey yielded another eye-opener when more than half (52% - 63%) answered “don’t know” in response to a question asking **if their outside law firms use any of 10 data-driven innovative technologies we listed**. This lack of awareness prevents clients from fully appreciating or leveraging the benefits of these innovations.

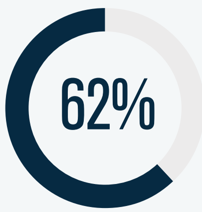
Twenty-eight percent say their outside law firms use data-driven tech for legal research, while 24% confirmed their firms use it for E-discovery and document drafting.

DO YOUR PRIMARY OUTSIDE LAW FIRMS USE DATA-DRIVEN INNOVATIVE TECHNOLOGY ON YOUR BEHALF FOR ANY OF THE FOLLOWING?

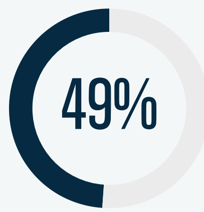
Primary Outside Law Firms' Use of Data-Driven Innovative Technology	Yes	No	Don't know
Legal research	**28%**	**19%**	**52%**
E-discovery	**24%**	**17%**	**58%**
Document drafting	**24%**	**19%**	**57%**
Transaction management	**21%**	**23%**	**56%**
Due diligence	**18%**	**24%**	**58%**
Pre-execution contract reviews	**13%**	**27%**	**60%**
IP portfolio analysis	**13%**	**25%**	**62%**
Predictive analytics (trends and patterns in industry, courts, information about opposing counsel, players, judges)	**11%**	**27%**	**62%**
Budget projections	**11%**	**26%**	**63%**
Pre-execution contract life cycle management	**13%**	**27%**	**60%**
Post-execution contract life cycle management	**10%**	**28%**	**62%**

We asked clients to rank on a scale, where 5 is most important and 1 is least important, **people-related innovations they wanted law firms to deliver**. A combined 62% ranked “learning more about the company at no cost,” demonstrating that clients still value basic client service.

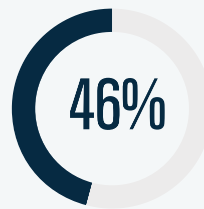
MOST/VERY IMPORTANT



Investment of time in learning more about the company at no cost



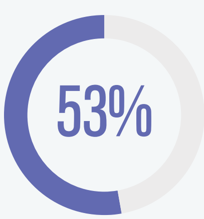
Broadly adopt emerging technologies such as Gen AI to streamline services and improve communications



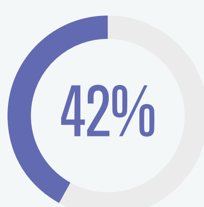
Training of the law department team

Clients are least interested in embedding non-lawyers into client relationships (53%) and outsourced services (42%).

LESS/LEAST IMPORTANT

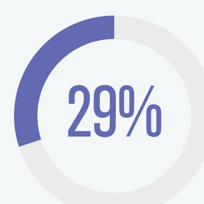


Embed non-lawyers into client relationships



Outsourced services

Alternative staffing models including use of non-lawyers or temporary staff



Use of legal project managers to aid the process for efficiency

Clients Tell Firms What They Really Want

We also asked clients to rank on a scale, where 5 is most important and 1 is least important, **process-related innovations they want firms to deliver**. Results mirror those in our last innovation study. Clients prioritize reliable, detailed budgets and access to budget reports as the process-related innovations they most want law firms to deliver.

MOST/VERY IMPORTANT

Most/Very Important Process-Related Innovation	2025	2023
Reliable, detailed budgets and access to budget reports	**67%**	**71%**
Alternative billing structures	**58%**	**69%**
Legal project management, standardized workflows, or other process improvements	**56%**	**62%**

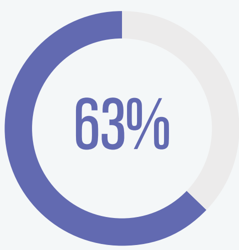
Clients are least interested in process innovations that offer new discovery approaches, matter analytics dashboards, or formalized “lessons learned.”

LESS/LEAST IMPORTANT

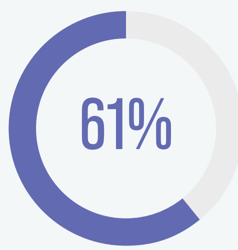
Less/Least Important Process-Related Innovation	2025	2023
New discovery approaches	**28%**	**17%**
Matter analytics dashboard(s)	**25%**	**26%**
Formalized "lessons learned" capture	**14%**	**12%**

WHEN ASKED WHICH FIRM-ADOPTED GEN AI-RELATED TECHNOLOGIES WOULD CREATE THE GREATEST VALUE FOR THEM, IN-HOUSE COUNSEL PRIORITIZED THOSE THAT ADDRESS REPETITIVE PROCESSES.

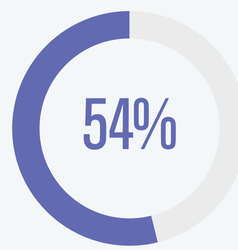
These results below illustrate that in-house counsel are focused on practical, outcome-driven applications of AI that directly address everyday pain points and operational bottlenecks.



Dynamic/smart document templates



Automation of routine/administrative tasks



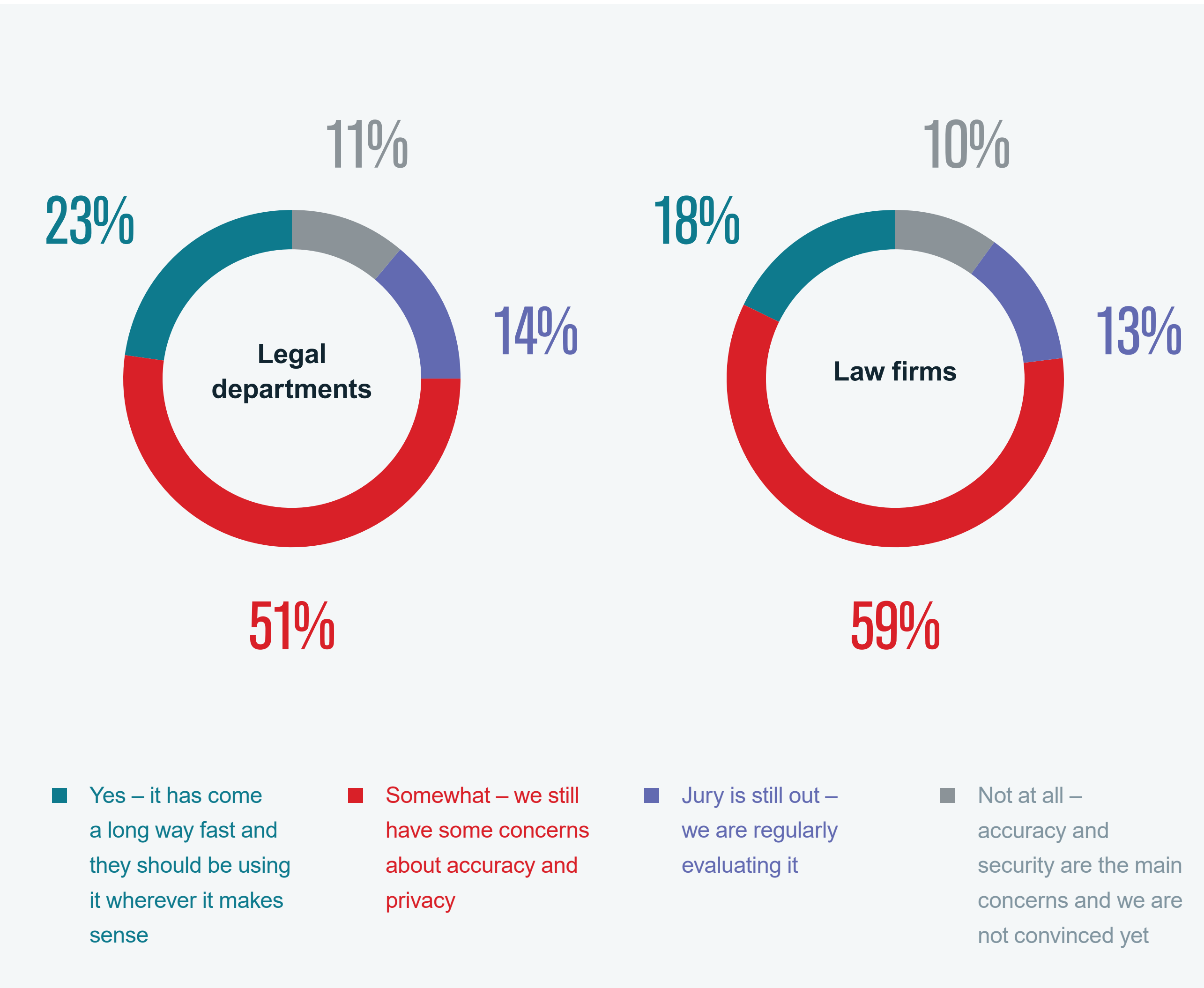
New technologies to improve processes or drive efficiency

THE GEN AI TRUST FACTOR

More than half of the respondents remain somewhat **comfortable using Gen AI technology** internally in their law departments (51%) and externally with their law firms (59%).

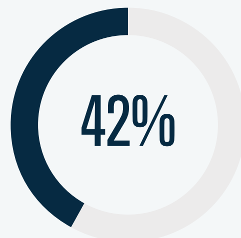
They are more comfortable using the technology internally within their legal departments than relying on their outside firms to use it on their behalf.

COMFORT USING GEN AI

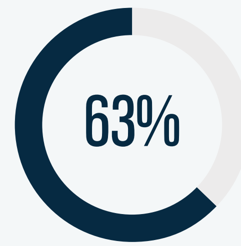


COMMONALITIES AMONG THE 23% WHO ARE MOST COMFORTABLE USING GEN AI IN THEIR LEGAL DEPARTMENTS:

have been in a position to purchase or influence legal department purchasing four or fewer years

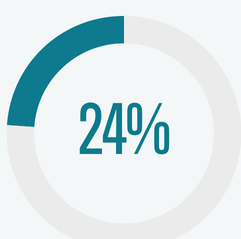


work in the technology industry, compared to 27% of the total respondents

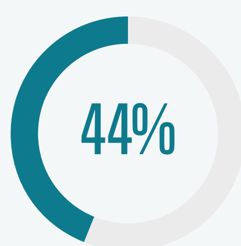


have 10+ years of purchase power and represent companies with an annual revenue in excess of $500 million

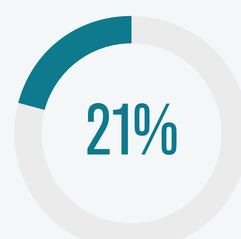
SHARED PROFILE TRAITS AMONG THE 18% WHO ARE MOST COMFORTABLE WITH THEIR FIRMS' USE OF THE TECHNOLOGY INCLUDE:



have been in a purchasing or influence position only one to four years



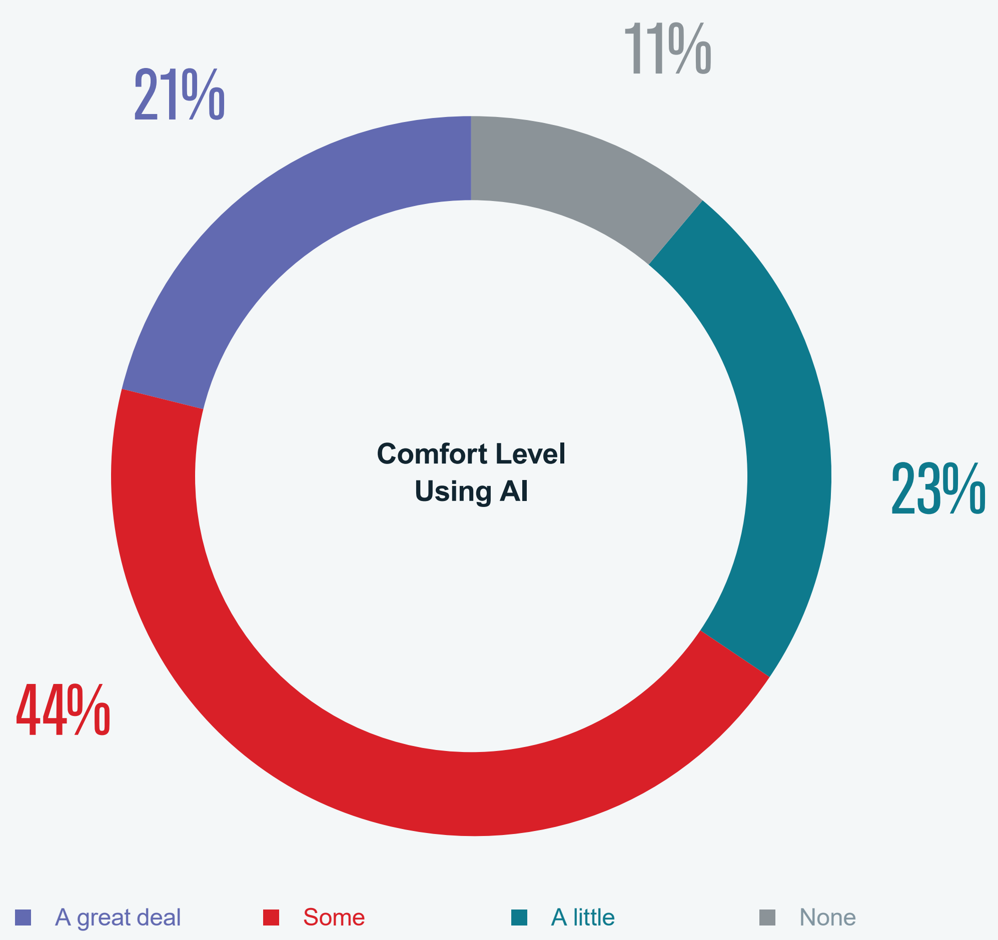
work in technology organizations



have 10+ years of purchase power and represent companies with an annual revenue in excess of $500 million

Those most open to their firms' **use of Gen AI in the delivery of service** are also more likely to acknowledge having seen "a great deal of innovation" from those firms over the past year, with 21% of those most comfortable reporting they had seen a great deal of innovation from those firms.

RESPONDENTS MOST COMFORTABLE WITH AI USE

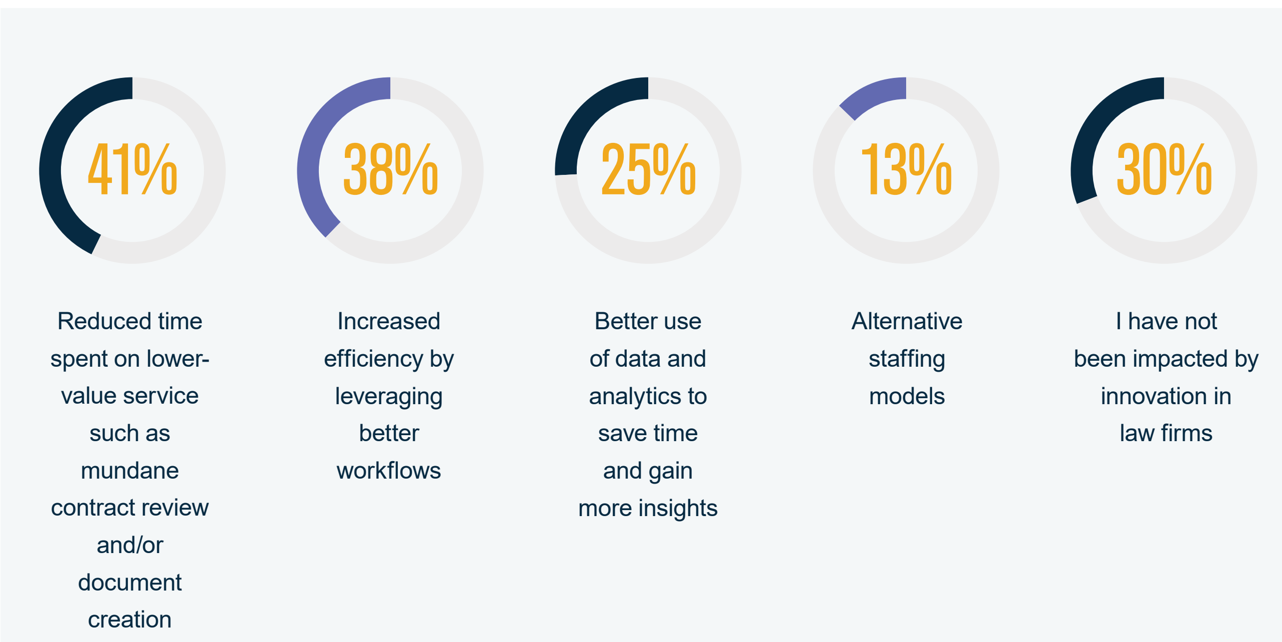


THE IMPACT FACTOR

However, the data also carries a warning—30% of all respondents reported they have not seen or experienced any impact from innovation at their law firms. This signals a disconnect between what law firms may view as innovation and what clients actually experience. To remain competitive and relevant, firms must not only invest in tools and processes that improve delivery but also make those improvements visible and meaningful to clients. Demonstrating innovation in action—whether through outcome-driven efficiencies, transparent staffing models, or intelligent use of data—can be a powerful differentiator in a market where innovation is increasingly equated with value.

Survey responses reveal that innovation in law firms is most impactful when it tangibly reduces time spent on lower-value work and improves overall efficiency. Nearly half (41%) of respondents pointed to time savings on routine tasks like contract review and document creation, while 38% emphasized the value of streamlined workflows. These findings underscore a clear client priority: using innovation to drive practical outcomes—faster turnaround, less administrative burden, and more focused legal insight. Notably, the use of data and analytics (25%) is also gaining traction, indicating a growing expectation that law firms should translate data into smarter, faster legal service.

WHERE DO YOU SEE OR WHERE HAVE YOU EXPERIENCED INNOVATION HAVING THE BIGGEST IMPACT IN LAW FIRMS?



CONCLUSION

Most respondents acknowledge at least some innovations from their outside firms. Those contributions often are limited to document drafting, legal research, and automation of routine administrative tasks, the same high-volume areas cited five years ago. Rightly, clients expect innovation will improve efficiencies. They may not view process tweaks as transformative unless they are obvious. Well-communicated, recognizable ROI metrics may be one way to bridge such gaps.

Compounding the disconnects, some in-house counsel still equate innovation with expensive, complicated technology. Our view: innovation does not always involve investment in expensive new technologies. It may not even require a cord (e.g., process improvements). Innovation inevitably does, however, require disruption. Better client results are always worth any temporary growing pains.

WHEN CONSIDERING NEW, INNOVATIVE TECHNOLOGIES:

19%
say they are most influenced by what their outside counsel use.

63%
are most influenced by technologies their peers are using.

Among those most influenced by their peers' technologies, 54% have worked in legal spending roles nine or fewer years. **Conversely, 60% of the more experienced decision-makers (10+ years) rely on their firms to help with those decisions.** This might suggest that younger in-house clients are more confident crowd-sourcing options unknown to their external counsel. Firm-generated technologies that push clients toward firm processes and tools will almost certainly have to give way to flexibility.

Clients want forward-thinking partners who proactively engage, communicate, and collaborate. True innovation requires both creative insight and analytical rigor and thrives in trusted relationships built on a shared vision for progress. With the way work is evolving—both in how and where it happens—innovation has never been more essential. Our goal is that the 'next normal' will inspire the profession to adopt new tools and approaches more broadly and rapidly.

About Thompson Hine

Thompson Hine LLP, a full-service business law firm with over 400 lawyers in 10 offices, was ranked number 1 in the category "Most innovative North American law firms: New working models" by the *Financial Times* and was 1 of 7 firms shortlisted for *The American Lawyer*'s inaugural Legal Services Innovation Award. The firm has been recognized by the *National Law Journal* as a Legal Technology Trailblazer and featured by *Bloomberg* for its innovative service delivery models, which drive accuracy and predictability. The firm's commitment to innovation is embodied in Thompson Hine SmartPaTH™ – a smarter way to work – predictable, efficient and aligned with client goals. For more information, please visit ThompsonHine.com and ThompsonHine.com/Innovation/SmartPaTH.

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