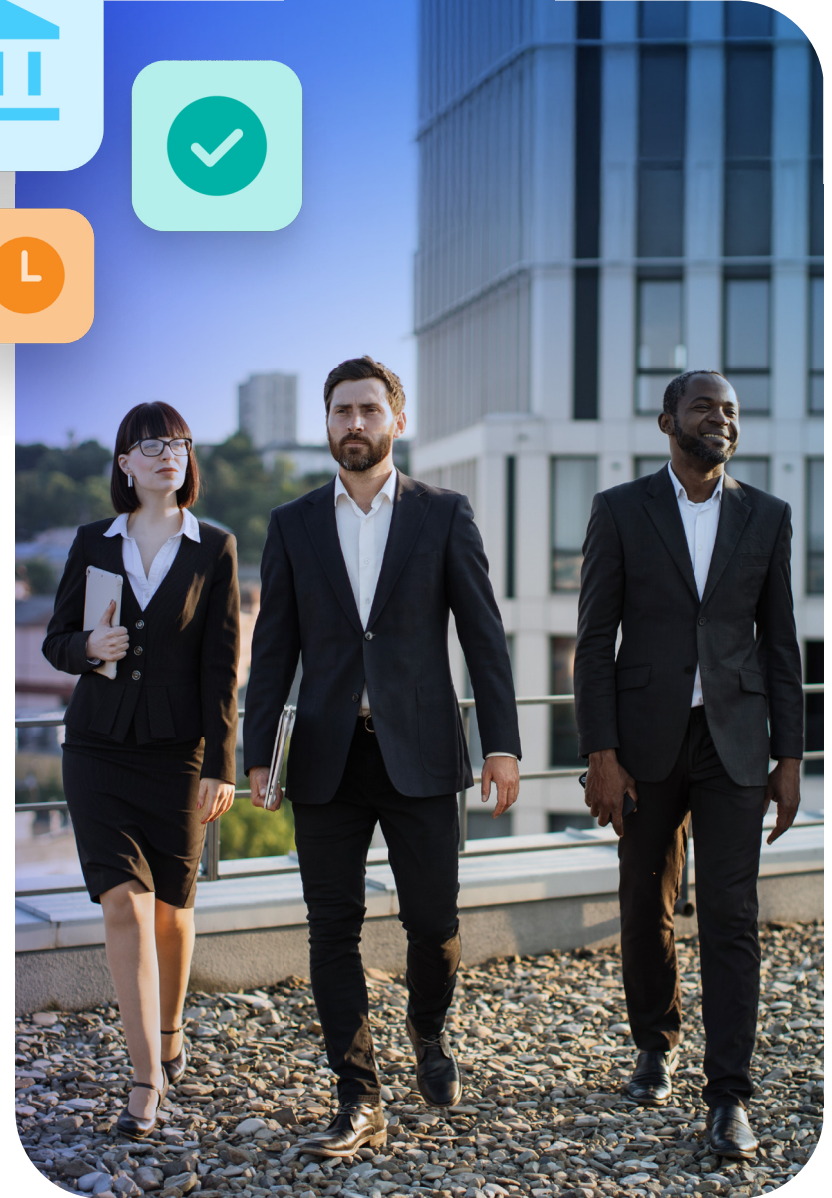




Good counsel:

Law firm and in-house partners
define their future strategy



A profound transformation is underway as law firms and in-house counsel work together to manage expectations in a world where generative AI promises to accelerate legal work. Where do expectations meet, and where do they diverge? What is the impact of technology on the partnership's effectiveness? How are they thinking about the future?

iManage joined in a survey with Above the Law to explore how these two groups — poised at the critical intersection of collaboration, technological innovation, and talent strategy — are shaping the future of legal work.

This quantitative research examines the shifting dynamics of legal service delivery — from the growing demand for alternative fee models to the urgent need for seamless technology integration. With responses from law firm professionals and in-house counsel, it highlights cultural and operational gaps that hinder collaboration, details challenges and opportunities in knowledge sharing, and profiles emerging priorities that will define legal excellence for the years ahead.

As we perch on the cusp of a new era, the legal profession is reaching for smarter use of AI, reimagined billing structures, and more inclusive talent development, the tools they'll employ to reward innovation, foster trust, and deliver results. Above all, the research reveals an imperative at the heart of this transformation: the shared desire to move beyond transactional relationships and build strategic partnerships grounded in transparency, agility, and mutual values.



Examining the law firm and in-house counsel relationship

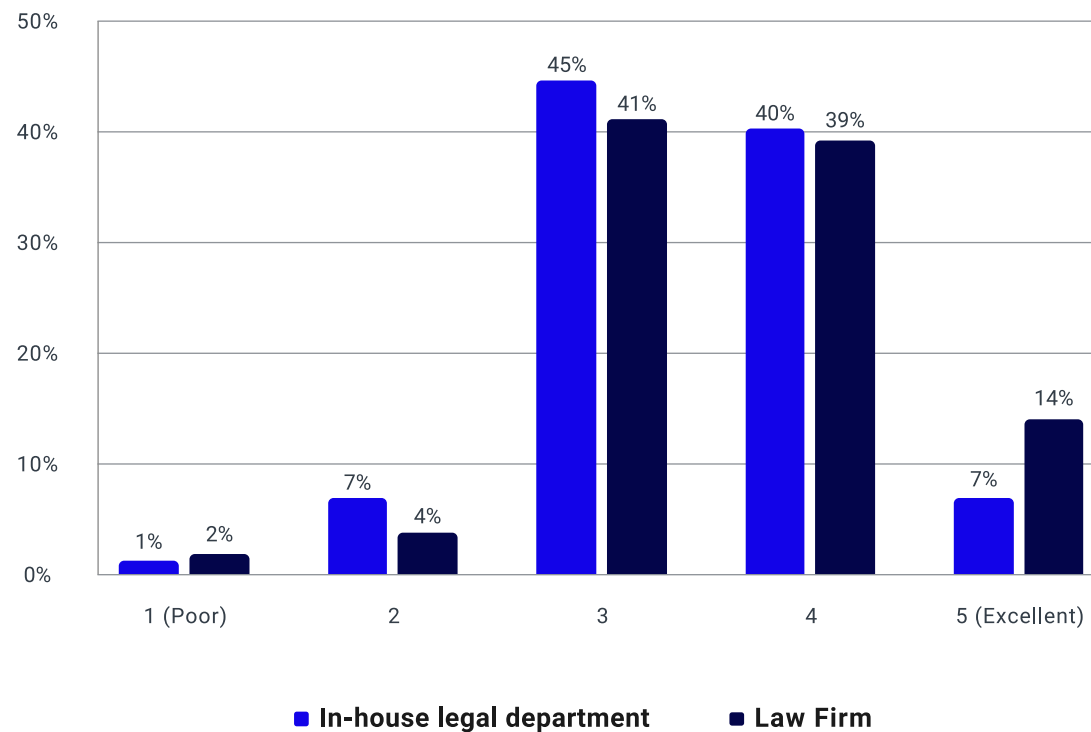
Business happens today at a blistering pace, and effective collaboration is fundamental to success. Both law firms and in-house counsel rate their collaboration with one another as moderately effective. The bulk of the responses were divided nearly equally between “3” and “4” out of “5,” which leaves room for improvement, but is more favorable than not.

While any points of contention could impede a successful working relationship, the survey results indicate there is more common ground than either side may recognize. Both in-house teams (69.6%) and law firms (62.5%) cite “Cost and budget predictability” as their most pressing concern. Other areas of alignment include “Responsiveness and turnaround times,” and “Use of technology and data sharing.”

Key Takeaway

If both parties agree about the issues and their priority, there may be an appetite for working to manage expectations and open new pathways to communication and collaboration.

How would you rate the effectiveness of collaboration between law firms and corporate legal teams or clients today?



In-house professionals noted two areas where collaboration might be improved. In the area of technology and tools, they suggested:

- ✓ Simple, secure, and integrated platforms for document sharing and collaboration
- ✓ Centralized systems to manage and categorize work product

While for communication and responsiveness, their wish list included:

- ✓ Frequent, proactive updates from law firms
- ✓ Clear, transparent, predictable communications
- ✓ Non-billable collaboration time and regular check-ins

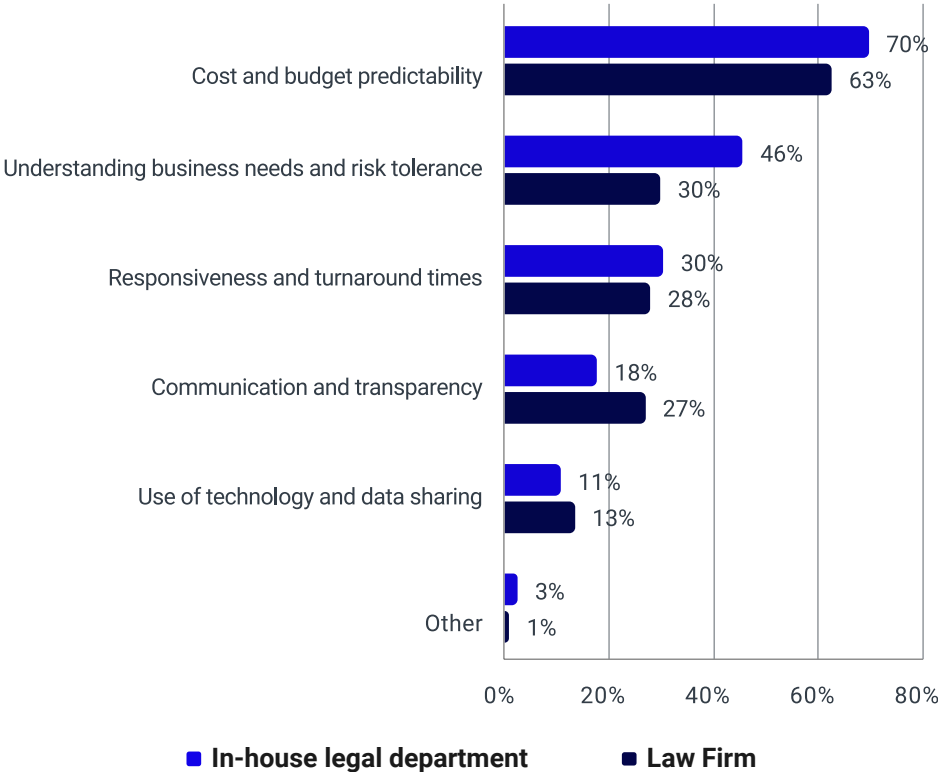
Law firm respondents' ideas mesh well with their counterparts, particularly with suggestions for better relationship building:

- ✓ Deeper integration with clients — to be seen as partners, not vendors
- ✓ Long-term partnerships and shared goals
- ✓ Open, face-to-face communication (virtual and in-person)
- ✓ Greater transparency from in-house teams
- ✓ Shared documentation of value delivered and project stakes

In-house professionals and law firm respondents are aligned in wanting more integrated, transparent, and collaborative relationships. Their emphasis may differ: the in-house focus is on secure, streamlined platforms and consistent communication, for example, while law firms desire deeper partnership and more explicit demonstration of value.

Ultimately, however, both groups seek greater trust, open dialogue, and shared strategic goals. An ongoing commitment to technology adoption, transparent processes, and mutual understanding of business goals can set the stage for legal teams and their partners to thrive together in a rapidly evolving landscape.

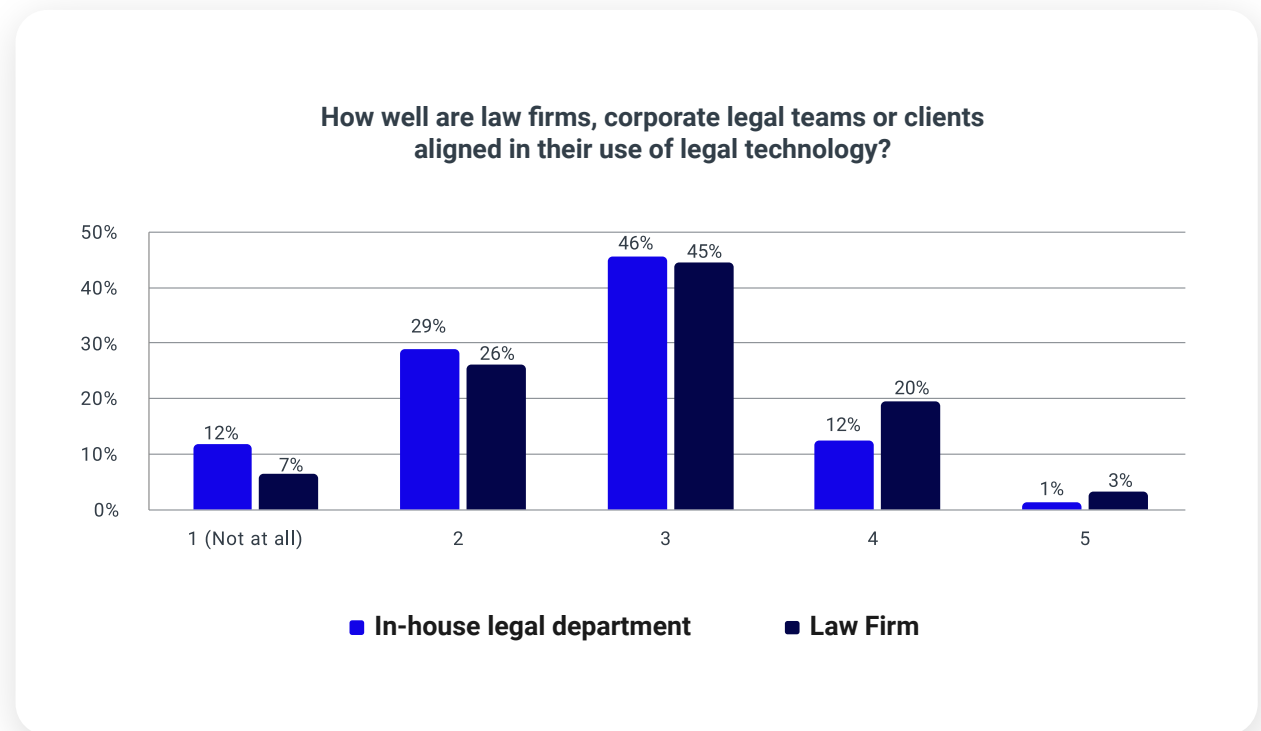
What is the biggest challenge in law firm-client relationships?



Law firm technology, innovation, and prioritization

Initially, we don't see a strong sense of alignment in responses around the use of technology. While 23 percent of law firm respondents rate their technology alignment as a 4 or 5 on a 5-point scale, just 13 percent of in-house respondents agree. Rather, 12 percent of the in-house counsel responses said clients and firms are not at all aligned.

Interestingly, when we dig deeper, the research shows more areas of agreement than debate. For example, in choosing the technologies that have the greatest impact on their work, legal professionals across the board rank document management tools first, and by a significant share. The only caveat is the ten-point spread in how much they agree — with law firms at 50 percent and in-house counsel at 40 percent.



AI is having an impact, there is no doubt about that, but the shape of the impact is more ambiguous. In-house counsel choose AI-powered drafting tools by a healthy margin, while law firms say they get more utility from AI-powered legal research. Corporate legal professionals also put more stock than their law firm counterparts in task management, workflow automation, and collaboration tools such as co-authoring.

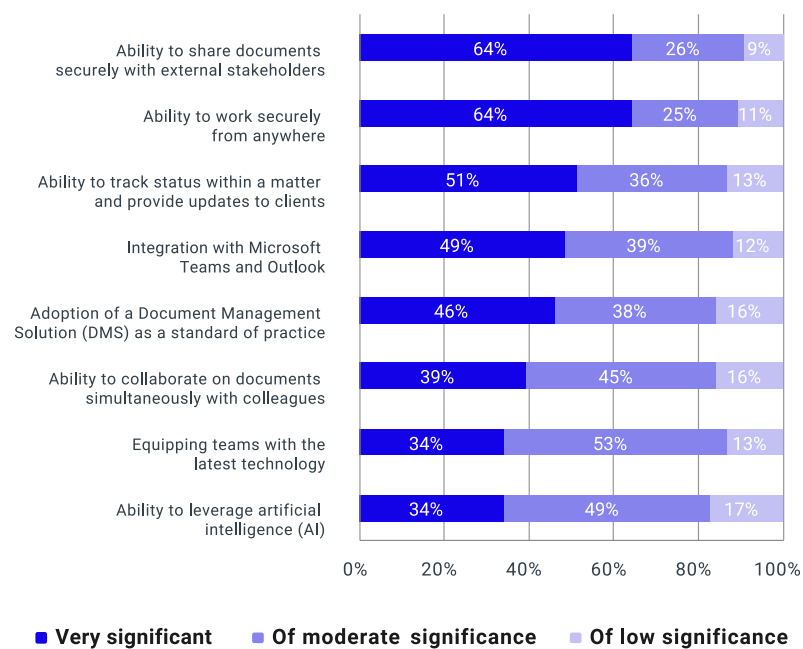
Furthermore, despite the groups feeling misaligned with their shared approach to technology, our questions about tech priorities and preparedness yield similar answers from both. For example, solid majorities of in-house counsel and law firms lined up on the ability to share content securely with external stakeholders as well as the ability to work securely from anywhere, ranking each as “Very significant.” Integration with Microsoft Outlook and Teams, which could aid their mutual collaboration, also earned strong scores from both camps.



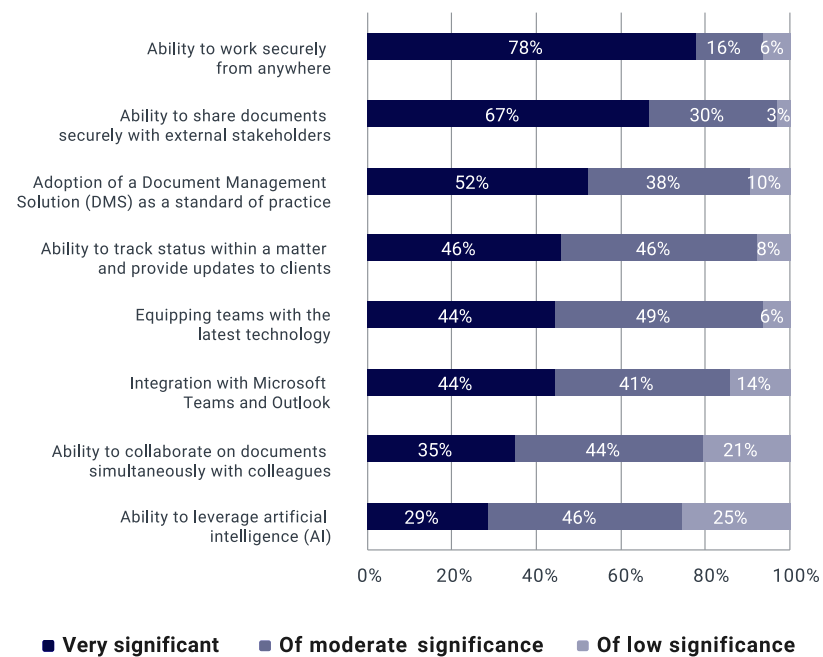
Which legal technologies are having the biggest impact on your legal work?



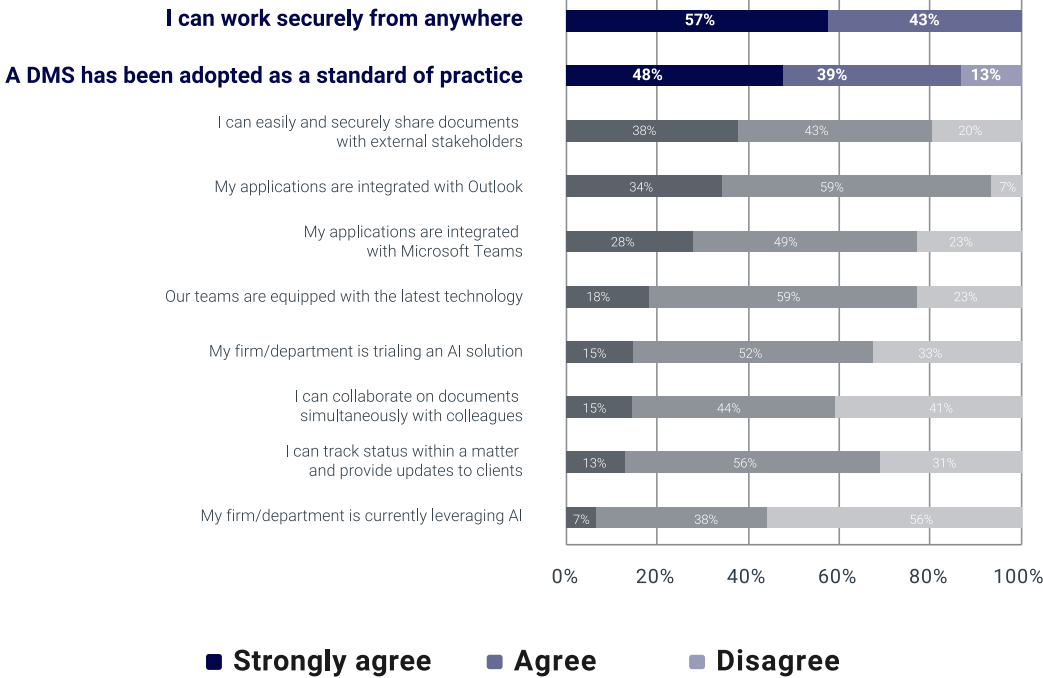
Top technical priorities for in-house legal departments



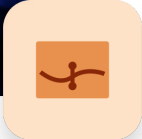
Top technical priorities for law firms



Level of preparedness for law firms



In follow-up questions, law firms agree overwhelmingly (87%) that they have adopted a document management system (DMS) and can work securely anywhere (100%). Fewer in-house counsel say their team has adopted a DMS as a standard of practice (slightly more than half), but agree that they can work securely anywhere (99%).



The groups answer in parallel on their organization's use of AI: less than half of respondents in either group say that their firm or legal department is leveraging AI currently. However, two-thirds of law firm respondents and nearly 60 percent of in-house respondents report that their firms or departments are trying out AI solutions.

Key Takeaway

AI is having an impact, there is no doubt about that, but the shape of the impact is more ambiguous.



Level of preparedness in-house legal departments



Legal service delivery and alternative models

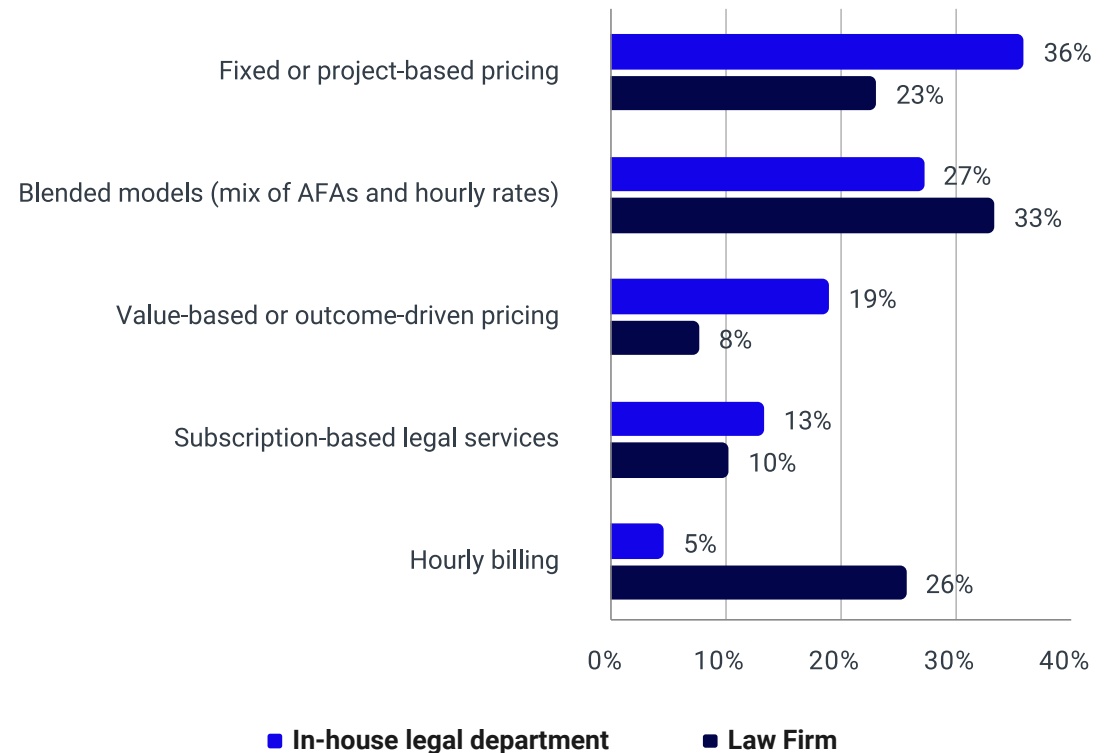
Generative AI that promises to reduce inefficiencies and automate or augment legal work delivery have sparked much debate — and controversy — particularly around potential impacts on pricing and billing. Hourly billing is at the core of the controversy. Many more in-house lawyers would like to see fixed or project-based pricing, and more than a quarter of law firm respondents view hourly billing as the best pricing model — a non-starter on the in-house side.

Law firms seek to become trusted strategic partners with their in-house legal clients. They say long-term success means joining forces with legal teams to solve problems and share accountability.

Key Takeaway

Perhaps negotiating a blended model that combines alternative fee arrangements and hourly rates is where the two groups can ultimately come together.

What pricing models would drive better alignment between law firms and in-house legal teams or clients?



Corporations need to stop treating law firms like outside vendors. Law firms should be completely embedded with the client to proactively solve problems before they are even questions.

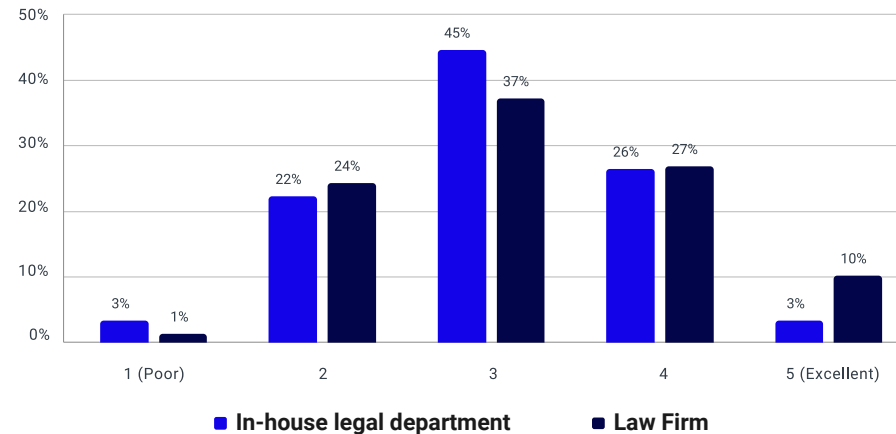
Knowledge sharing across law firms and in-house counsel

Where could they improve? According to 45 percent of in-house respondents, time constraints and lack of resources present significant obstacles in effective knowledge-sharing. Law firm professionals agree, but assign a larger role to siloed teams and limited collaboration, which is in second place for in-house teams. Law firms also rank confidentiality and security in their top three concerns.

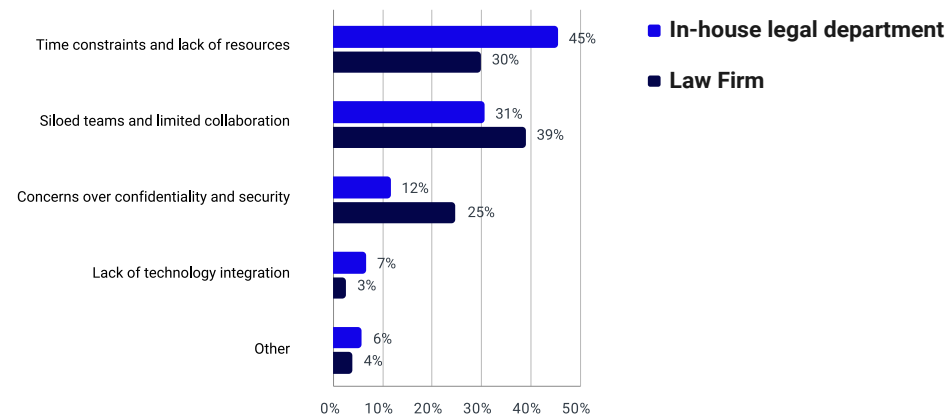
Key Takeaway

Reflecting on the responses, it seems that affecting meaningful change in knowledge sharing requires top-down leadership and structural shifts, with firms and clients aligning incentives and working together

How well do law firms and corporate legal teams share knowledge and insights?



What is the biggest obstacle to effective knowledge-sharing?



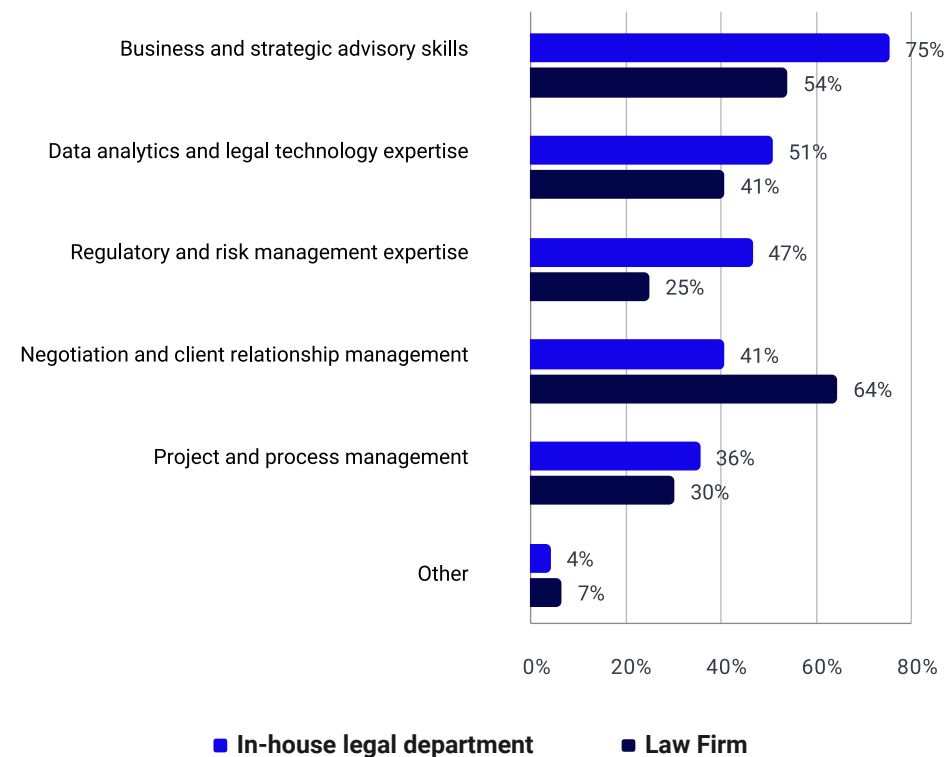
Talent and the future of legal work

In-house respondents' top three critical areas of proficiency for legal professionals going forward include business and strategic advisory skills at 75 percent, data analytics and legal technology expertise at 51 percent, and regulatory and risk management expertise at 47 percent. Law firms' primary focus is on negotiation and client relationship management at 64 percent, but also view business and strategic advisory skills as critical, as well as data analytics and legal technology, making these the common thread between groups.

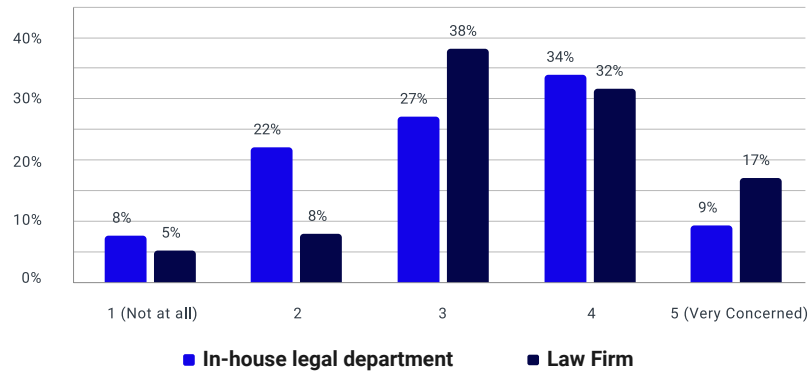
Competition for talent amid rising costs and shifting expectations

As the legal industry grapples with intense compensation pressures, hiring and retention are ongoing issues for law firms and corporate legal departments. Career mobility is high, with frequent job changes and growing competition from industries offering better compensation and more modern work environments.

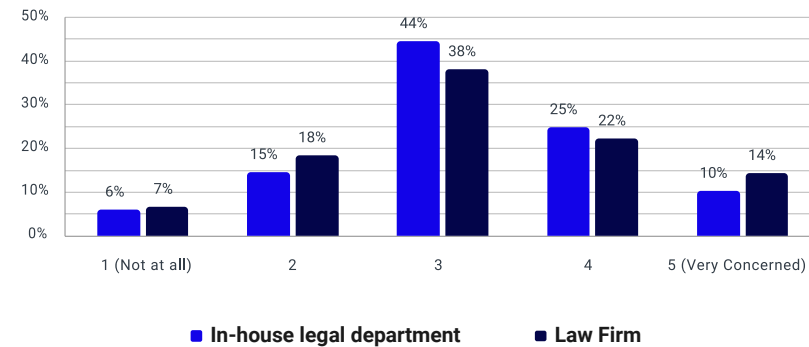
Which skills will be most critical for the next generation of legal professionals?



How concerned are you about talent retention in the legal industry?



How concerned are you about opportunities to upskill in the era of AI?



In-house legal departments face significant hurdles in attracting and retaining top legal talent. Many corporate legal departments can't match the high salaries, bonuses, and benefits that large law firms offer, making it hard to compete for experienced attorneys and new talent. Perceived pay gaps and limited upward mobility mean fewer law firm associates are transitioning to in-house roles.

Meanwhile, respondents say, escalating salaries, bonuses, and lateral partner costs make it difficult for law firms to stay competitive or maintain internal pay equity. These pressures are compounded by toxic work cultures and lack of mentorship when disengaged leadership fails to support the next generation of lawyers. Widespread

burnout and relentless billable hour demands are driving some lawyers to exit the profession or seek roles that offer a more sustainable work-life balance.

Although in-house roles are often seen as doing better in this regard, budget constraints and limited resources complicate the issue. As workloads grow and staffing shrinks, in-house teams risk overextension and burnout, as well. Candidates who seek remote options may be put off by in-office mandates and inadequate flexibility.

Free-form comments from our research indicate that the political and social climate also negatively impacts the landscape. Gen Z and millennial lawyers are less interested in traditional legal paths and more

motivated by flexibility, purpose, and innovation. A retreat from DEI efforts and internal misalignment on values erodes trust, especially among younger talent seeking firms that align with their principles. Cultural and structural barriers impact job satisfaction and long-term engagement.

Key takeaway:

Unrealistic expectations, limited training, and disconnects between legal teams and broader business goals are compounded by broader industry trends.

The future of the legal industry

Concerns around the sustainability of the current talent model in a rapidly evolving legal environment shaped by AI and automation are growing, and were shared by respondents. Once again, the legal industry balances on the threshold of transformative change. Legal professionals across both in-house and law firm roles cite AI and automation as the most disruptive technologies to emerge in decades — and the defining trend for the next five years, as their adoption soars.

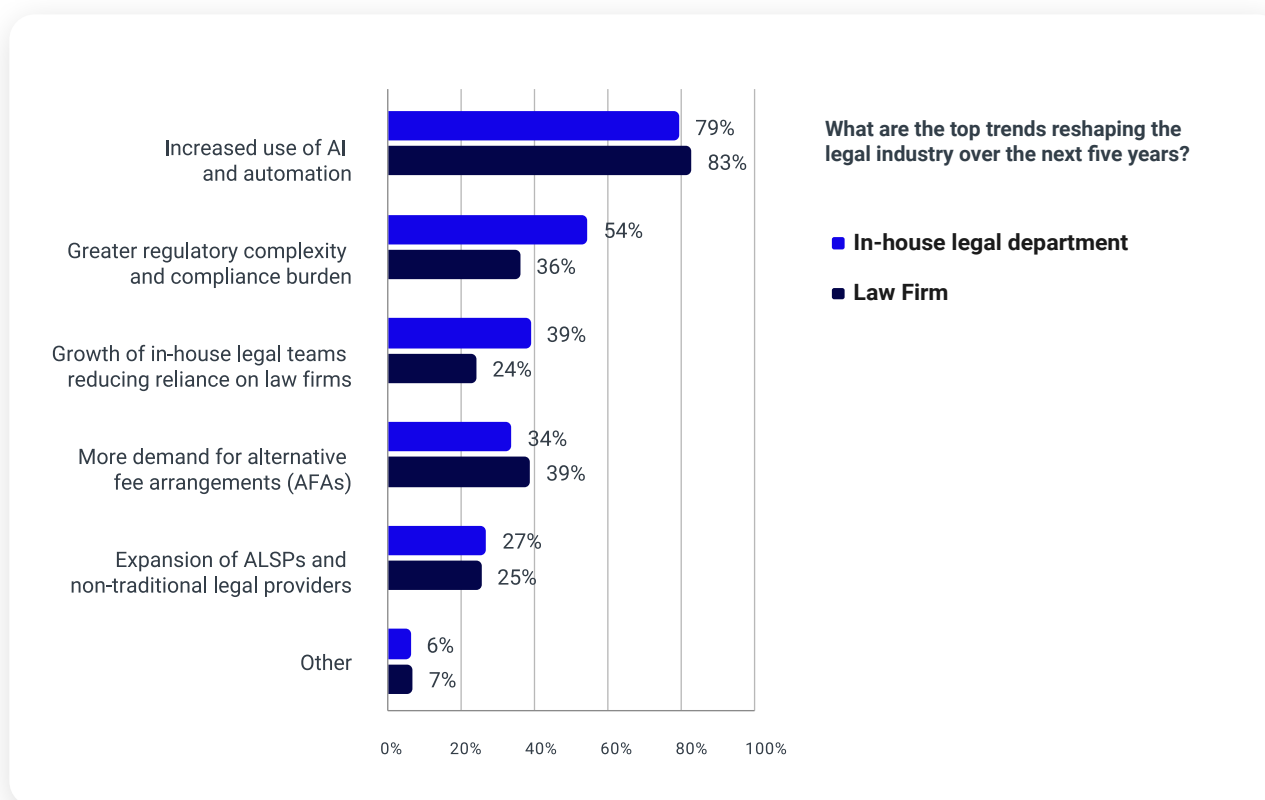
In-house counsel anticipates a sharp rise in regulatory complexity and compliance demands, requiring increased agility and tech-enabled legal operations. Many also foresee a continued expansion of in-house legal teams, reducing dependence on external law firms — a shift that law firm respondents acknowledge, though with less urgency.

There is growing consensus around the need for alternative fee arrangements (AFAs) as corporate legal clients demand more predictable, value-based pricing. More than a quarter of respondents expect non-traditional legal service providers, including ALSPs and tech-driven platforms, to significantly reshape the competitive landscape in the coming years.

Finally, several professionals noted the influence of political developments and government policy, underscoring the broader societal forces increasingly impacting legal strategy and operations.

Key takeaway:

The legal profession must deliver more engaging, tech-enabled work opportunities and adapt to emerging service models that require a shift in skill sets and structure.





Conclusion

The legal industry stands at a pivotal moment defined by rapid technological advancement, shifting client expectations, and a reimagining of how legal services are delivered and valued. This research reveals that while law firms and in-house legal departments may approach these challenges from different vantage points, they are more aligned than they realize.

Both sides recognize the urgent need for stronger collaboration, smarter use of technology, and more transparent, value-driven service models. In-house teams call for simplicity, integration, and cost predictability, while law firms push for deeper partnerships, cultural transformation, and innovation in how legal work is structured and staffed.

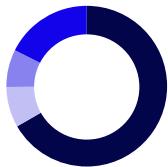
Talent remains a critical pressure point. Compensation gaps, burnout, and evolving generational expectations are reshaping the legal workforce. Firms and legal departments alike must rethink how they attract, develop, and retain talent in an era where flexibility, purpose, and tech fluency are non-negotiable.

Perhaps most importantly, the rise of AI and automation is not just a trend but a catalyst for systemic change. Legal professionals across the board agree that the next five years will be defined by how well the industry adapts to this new reality. Those who embrace it by aligning incentives, modernizing operations, and investing in people and platforms will lead the way.

The future of legal work is not just about doing more with less. It's about doing better together.

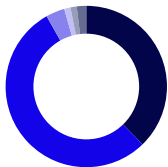
Demographics

In-house participants



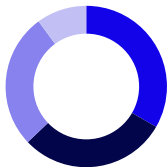
What is the size of your legal department?

- 1 to 24 employees - 67%
- 25 to 50 employees - 18%
- 51 to 150 employees - 8%
- 151+ employees - 8%



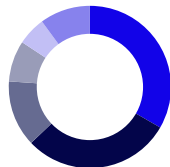
Which of the following best describes your role?

- In-house legal department - 54%
- General counsel or chief legal officer - 38%
- Legal operations director - 4%
- Other - 2%
- Legal operations staff - 1%
- Paralegal - 1%



How would you describe the size of your company?
[with Fortune 250/500/1000 combined]

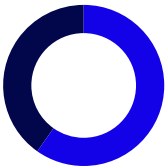
- Large private (more than 1,000 employees) - 33%
- Medium sized private (100-1,000 employees) - 30%
- Fortune 250 / 500 / 1000 - 27%
- Other publicly traded company - 10%



How would you describe the size of your company?
[with Fortune 250/500/1000 separate]

- Large private (more than 1,000 employees) - 33%
- Medium sized private (100-1,000 employees) - 30%
- Fortune 250 - 13%
- Fortune 500 - 8%
- Fortune 1000 - 6%
- Other publicly traded company - 10%

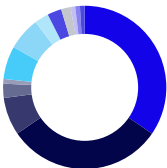
Respondent Demographics



Which of the following best describes your employment?

- In-house legal department - 60%
- In-house legal department - 40%

Law firm participants



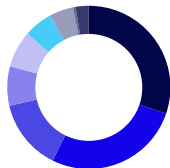
Which of the following best describes your role?

- Partner or counsel - 35%
- Associate attorney - 31%
- Practice group leader - 7%
- Legal operations staff - 7%
- Paralegal / litigation support - 7%
- Managing partner - 3%
- Legal administrator / office manager - 3%
- Business development - 3%
- Information technology staff - 2%
- Information security, compliance, or records management staff - 1%
- Talent acquisition director - 1%
- Other - 1%
- Chief operating officer - 1%



Which of the following best describes the size of your firm?

- 501+ attorneys - 62%
- 101 to 250 attorneys - 13%
- 251 to 500 attorneys - 10%
- 51 to 100 attorneys - 8%
- 25 to 50 attorneys - 7%



Type of law firm (multiple selections allowed)

- Primarily serves corporate clients - 54%
- General practice - 49%
- Majority of work involves litigation - 25%
- Boutique - 14%
- Majority of work is transactional - 13%
- Specializes in niche area of law - 10%
- Regional - 8%
- Other - 5%
- Primarily serves individuals - 1%



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