Generative AI lifecycle considerations for small and medium-sized firms (SMEs)

This document provides an overview of considerations across the generative AI lifecycle that small and medium-sized firms (SMEs) should consider from initial exploration, through to procurement, use, and review. This document does not constitute legal advice.

Preliminary considerations:

- **Purpose identification:** Determine the primary goal or need for the generative AI tool in your practice. Use cases can be helpful here.
- **Research and vendor diligence:** Investigate reputable AI tool providers, speak to others in the industry to determine their experience with the provider. Consider whether the vendor can meet your requirements.
- **Stakeholder engagement:** Involve IT, management, and legal teams in discussions to ensure that the use of the tool is in alignment with the firm's strategy and various existing policies.
- **Collective use:** Consider whether you can work in consortium with other SMEs who may also be looking to procure, use, and review generative AI tools in their practice. Working collectively may be useful if you have shared purposes and objectives.

Data and training:

- **Data use:** Be very careful about the data you use to train any AI tools. Consider whether the use of anonymised data is more appropriate. If you are unsure, it is best to seek advice as disclosure of confidential information or personal data can lead to serious consequences.
- **Data protection compliance:** Confirm the use and storage of data complies with data protection laws, including the GDPR, if applicable.

Procurement:

- **Trials and demos:** Request demos or trial versions to evaluate the tool's effectiveness and relevance to your purpose.
- **Contractual terms:** Review the terms of service, especially regarding data rights, intellectual property, the geographic location of data, and any liability clauses.
- **Cost analysis:** Understand the total cost of the tool, including support and computational charges. It is advisable that you agree to a fixed cost to avoid any unexpected expenditure.
- **Long-term planning:** Consider the long-term viability and support of the vendor and put in place a regular review process to establish business need and purpose, as well as an exit plan is required.

Implementation and usage:

- **Training:** Ensure proper training sessions for staff on how to use and benefit from the tool are carried out, including the use of effective prompts. Technical training in

the use of such tools is separate from the training in the ethical use of such tools and both are equally important.
- **Data input management:** Clearly define what data can be fed into the tool considering both legal and ethical constraints.
- **Review mechanism:** Implement a consistent process for checking and verifying the AI's outputs for accuracy, reliability, and liability.
- **Feedback loop:** Establish channels for users to provide feedback on the tool's performance to ensure it continues to meet your requirements and identify any issues of concern.

Risk management:

- **Legal and regulatory compliance:** Ensure that you comply with existing laws and regulations, particularly around data privacy and cybersecurity. Note that the legal landscape is fast-changing in this area, so keep abreast of any new legal requirements and regulatory standards that may come into force following the implementation of the tool that may be relevant to your jurisdiction.
- **Cybersecurity measures:** Ensure robust security protocols to protect data from breaches. Understand how data is processed on the vendor side and the security measures they have in place to protect your data.
- **Liability and insurance:** Assess the liability and insurance cover related to the use of the tool. Speak to your insurer to determine whether the usage of the tool will be covered under your existing policy.
- **Business continuity:** Ensure that there is a plan in place in case of system failure or outage of the service.
- **Ethical considerations:** Consider the potential ethical implications and biases of the AI's output and establish responsible AI use guidelines that consider the public interest from the user's perspective.

Review and evolution:

- **Regular assessment:** Periodically assess the tool's relevance and value addition to your practice. Ensure that it continues to meet your requirements.
- **Business continuity:** Understand any business continuity measures you need to have in place if the tool fails or is not accessible.
- **Exit strategy:** Consider how you can transition away from the tool if necessary. Understand whether you can securely transfer your data, source code, or any existing training on the tool, if required.

Communication:

- **Client communication:** Clearly communicate to clients when and how AI tools are used in their matters, where appropriate to do so.
- **Internal awareness:** Keep the firm's staff informed about the tool's capabilities, benefits, and limitations, as well as their own professional responsibilities to ensure it is being used appropriately.