



## **Hidden Handcuffs? Balancing AI Efficiencies with Enterprise-Wide Risks**

**Compliance and Ethics**

**Technology, Privacy, and eCommerce**



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## Cheat Sheet

- **AI is infrastructure, not just software.** As AI becomes embedded in core operations, it should be evaluated as a long-term architectural decision with implications for data, workflows, and decision-making across the enterprise.
- **Adoption is a non-neutral necessity.** AI can enhance efficiency, decision-making, and competitive positioning, but its benefits depend on how it is integrated, governed, and embedded over time.
- **Lock-in develops in layers.** Dependency emerges gradually through data accumulation, workflow redesign, and vendor-specific customization, often becoming difficult to unwind only after systems are deeply integrated.
- **Good governance enables flexibility and speed.** Early legal involvement, clear contractual rights, and ongoing visibility into AI-dependent processes allow organizations to adopt AI more confidently while preserving long-term adaptability.

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Artificial intelligence is no longer a future-facing experiment. Instead, it is rapidly becoming embedded

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in the core operations of modern businesses. More and more companies are adopting AI platforms that require system ready documents, retraining or retooling employees, and reconstructing institutional knowledge, while simultaneously maintaining a positive company culture.

As AI becomes an integral component of a successful large-scale organization, companies should carefully consider the benefits and risks of long-term enterprise AI adoption, particularly as these platforms begin to function less like traditional software tools and more like business infrastructure. Unlike discrete tools that can be swapped with minimal disruption, these systems become integrated within data, workflows, and decision-making processes across an organization.

As adoption progresses, integration increases both the value of the system and the cost of replacing it, creating a form of dependency that may not be immediately visible at the point of adoption. For this reason, adoption should be evaluated as a long-term infrastructure decision rather than a procurement or innovation decision. At its core, adopting misaligned AI tools and workflows could have lasting operational and governance impacts on an enterprise.

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## **AI adoption is necessary**

For many businesses, AI adoption is no longer optional, but a necessary shift in how work is performed and decisions are made. When implemented thoughtfully, these tools can meaningfully enhance workforce capability. They enable cross functional learning, augment employee output, and improve efficiency in day-to-day operations. Tasks that were once time intensive or operationally burdensome can be streamlined or automated entirely, allowing employees to focus on higher value, more strategic work. AI is not simply about doing the same work faster, but about changing how work is approached and where human effort is most effectively applied.

At the organizational level, the impact is even more pronounced. AI allows organizations to better leverage internal and external data to assess market conditions, identify trends, and support faster and more informed decision-making. Companies that integrate these tools into core functions such as product development, market access strategy, or customer engagement are often better positioned to respond to shifting conditions and capitalize on emerging opportunities. Gradually, these capabilities can compound, creating meaningful advantages in speed, insight, and execution.

As a result, organizations seeking to drive meaningful change and sustain long term competitive advantage are increasingly treating AI as a foundational component of business strategy. However, realizing these benefits requires more than adoption alone. It depends on how AI is incorporated into processes, how employees are trained to use these systems, and how the underlying data and processes are governed. Legal and compliance teams therefore play an important role in shaping business strategy, not only in reviewing contracts, but in influencing how AI is implemented and governed across the organization, particularly as the risks of lock-in often

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emerge through a series of less visible, reinforcing dynamics.

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## AI adoption common lock-in issues

**Data gravity.** As data sets, documents, and internal information increase in volume, the ability to migrate to different solutions becomes more complex. This accumulation creates what is often referred to as data gravity, where data becomes increasingly difficult and costly to move, anchoring systems in place. As a result, infrastructure decisions are often driven by where data resides, rather than by how systems are designed to operate. This dynamic is amplified in large enterprises, where the scale of data, combined with system integration and ongoing model use, makes switching from one AI system to another resource intensive, time consuming, and operationally disruptive. This progression occurs gradually, but with each iteration, the cost of change increases.

More specifically, the effects of data gravity extend beyond data itself to the institutional knowledge that AI tools increasingly capture and operationalize. As usage increases, expertise becomes encoded in prompts, training data, and system outputs rather than in portable, human-readable formats, creating a distinct governance risk as business judgment becomes more difficult to extract or replicate.

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**Workflow redesign.** If data gravity anchors the system at the data and information layer, workflow redesign reinforces that structural reliance at the process level. Once data anchors a tool in place, workflows begin to reorganize around its capabilities and constraints. Organizations can become calibrated to a tool's speed, error patterns, reasoning styles, and prompting structures, creating processes that build around its outputs and design. Eventually, operations are optimized to fit within the system, leading to a form of operational dependency driven by employee training, evolving roles, and reliance on system-specific workflows.

**Vendor customization.** As AI tools are integrated into enterprise environments, they often require increasing levels of customization to perform effectively, including prompt engineering, system integrations, and model fine tuning. These efforts are typically developed in ways that align with the design and behavior of a particular system, rather than in standardized or portable formats. As a result, the more an organization invests in optimizing a specific tool, the more difficult it becomes to transfer those optimizations to a different system without significant rework. This reinforces the existing dependency, as switching systems requires not only replacing a tool, but rebuilding the technical and operational configurations that support it.



## What should in-house counsel do?

Taken together, these dynamics illustrate how lock-in develops across multiple layers of the enterprise, often in ways that are not immediately visible. In response, legal and governance teams are uniquely positioned to shape how these dependencies are structured, monitored, and mitigated over time. In practice, managing these risks requires a deliberate approach to AI governance, centered not only on how systems are contracted, but also on how dependencies are identified as they develop and how organizational flexibility is preserved as tools become more incorporated.

Tools should be treated as governed assets, not as the sole repository of institutional knowledge.

At the outset, early involvement from legal and contracting teams is important. Decisions made during procurement often determine whether an organization will retain flexibility later, particularly where issues such as data ownership, portability, and exit rights are not fully addressed. In-house counsel and governance teams should consider what rights are necessary in the event of termination, including the ability to export data, prompts, outputs, and configurations in usable formats. Addressing these considerations early can significantly reduce the cost and operational disruption associated with future migration.

As these platforms become more integrated, visibility and true understanding becomes imperative. Organizations should understand where AI is shaping core processes and to what extent those processes depend on specific systems. Developing a periodic inventory of AI-enabled functions can help identify which workflows are important, how dependent they are, and whether they can be reasonably transitioned if needed. This type of visibility provides a clearer picture of how reliance is evolving across the enterprise.

Equally important is preserving a degree of organizational independence. Tools should be treated as governed assets, not as the sole repository of institutional knowledge. This means maintaining documentation of decision logic, retaining representations of workflows outside of any single system, and ensuring that employees continue to understand the reasoning behind AI-assisted outputs. These efforts support not only portability, but also auditability and long-term

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resilience.

Finally, effective AI governance requires coordination across functions where possible. Siloed approaches may increase operational costs and create duplicative efforts, while also obscuring emerging risks. Legal and governance teams therefore play an important role in aligning with IT, security, compliance, and business stakeholders to ensure that adoption is implemented in a way that is both efficient and sustainable over time.

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[Whitney Ford](#)



Corporate Counsel

Sanofi

Whitney Ford is Corporate Counsel at Sanofi, where she advises on commercial strategy, compliance, and enterprise-wide business initiatives at one of the world's leading biopharmaceutical companies. Her practice spans commercial law, artificial intelligence, antitrust and competition law, and business strategy, partnering with business leaders to navigate complex legal and operational challenges while enabling innovation and creating long-term enterprise value. Whitney is also a foundational board member of Cognizant Karting, a nonprofit dedicated to advancing STEAM education for underserved youth.