

The ARC Pulse



Bridging the gap between academic theory and real-world application.

Issue 01 | February 2026

IS YOUR BOARD STUCK IN THE "SOCIAL MEDIA PHASE" OF AI?

Risk never sleeps, and neither does the hype cycle.

This month, I've noticed a familiar pattern in the industry: Boards demanding an "AI Strategy" after seeing a viral demo, while Risk Committees remain paralyzed by data leakage fears.

It reminds me of the early "Social Media Era" with organizations rushing to adopt without a policy, creating a "**Shadow AI**" culture that bypasses governance.

Scott's Analogy: The "Unregulated Intern"



Plugging standard, "out-of-the-box" AI into your enterprise without custom governance is like hiring a brilliant but unregulated intern and giving them signing authority on your SEC filings.

- **They are fast.**
- **They are confident.**
- **And they will eventually "hallucinate" a reality that puts your entity at risk.**

The barrier to adoption isn't a lack of capability, it's a lack of verification. If you can't verify the output, you can't trust the asset.

The "Fake Risk" vs. The Real Threat



- **The Fake Risk:** Believing that "Banning ChatGPT" is a security strategy.
- **The Real Threat:** Shadow AI. Your top performers are already using these tools to stay productive, but they're doing it outside your oversight. By not providing a governed path, you've forced your best people to become your biggest liabilities.

Practical Tip: Define Your "AI Ambition"



Before buying tools, ask your Board to choose one of these two paths:

1. **The Efficiency Play:** Cutting costs on low-risk tasks (Low Risk / Low Reward).
2. **The Transformation Play:** Inventing new products/services (High Risk / High Reward).

Choose a primary path to ensure your compliance framework fits the mission. You cannot govern both paths with the same policy.

Resource of the Month

The Director's Pocket Guide:

Includes Board discussion prompts, checklists, and key questions

[Download today](#)



Upcoming Events

[Navigating the Data Deluge](#)
Wed, Mar 04 | Webinar | IIA Tulsa

[AI-Generated Audit Evidence: The Digital Counterfeit](#)
Thu, Mar 05 | Webinar | Wolters Kluwer

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