

Advisory Board vs. Fiduciary Board of Directors

Element	Fiduciary Board of Directors	Advisory Board
Advice	Directors offer indissoluble advice that carries weight in management plans. There are consequences for lack of implementation.	Advisory boards offer guidance. Due to the less binding nature of an advisory board, both members of the board and owners typically decide mutually if they're a fit for one another.
Composition	Conventional structure.	More casual and flexible structure.
Meetings	Structured event based around the reporting from the committees.	Less formal events that aren't necessarily bound to structure.
Role	Provide oversight of managerial responsibilities without actively participating in the day-to-day operations. That said, certain circumstances may involve a more actively engaged board.	The advisory board is often involved in the day-to-day operations.
Commitment	Due to higher demands and binding advice, the terms are generally longer—3+ years.	The commitment tends to be shorter with a higher turnover in order to provide diversification for the changing demands.

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Compensation	Due to higher expectations and greater risk, compensation is more closely aligned with performance.	To begin, the compensation is minimal—another reason the advisory board members should have mutual interest with the owners and their business. Over time, there can be a financial or equity-based compensation.
D&O Insurance	This is anticipated and extended coverage may also be expected.	It depends on the advisory board and on the business. Sometimes D&O isn't necessary and sometimes it is.
Duties	It's in the name! Directors have a fiduciary responsibility to the shareholders and stakeholders. They need to prioritize what is best for the business.	An advisory board is primarily in place to help the owner.
Regulations	BODs are typically a requirement based on a set of regulations.	Advisory boards are not required—it's up to the owner if an advisory board is beneficial to the business.