The Chief Restructuring Officer (CRO)

The role of Chief Restructuring Officer first developed in the US in the 1990s. The heavy requirements placed on US companies seeking protection through the court-regulated Chapter 11 process meant the role of corporate rescuer had to be closely defined. Therefore the CRO emerged as a board-level appointee anchored in the management structure of the company but with clear responsibilities.

The appointment of CROs in the UK and Asia only started relatively recently, although it is now commonplace and there are organisations (IFT and ATTA) in each of these jurisdictions that accredit turnaround professionals. Having a more specific title is important as it makes a definite statement to all stakeholders: if a turnaround expert is brought in as merely an outside consultant or adviser, he or she may not have enough power to do the job.

The appointment of a CRO brings with it the individual's contacts, presence and track record that will, in part, appease the organisation's creditors. However a CRO's actual duties may differ widely from firm to firm depending on the situation. (It is important that all parties are clear about the CRO's function as the title is sometimes given erroneously.) The remit can cover these core areas:

- Stabilisation and management of cash and working capital
- Responsibility for the Turnaround Plan
- Restructuring the balance sheet to handle the debt issues
- Operational restructuring and performance improvement
- Stakeholder management.

Banks often facilitate the appointment of a CRO to assist with the varying issues of running a stressed business. However the incumbent team is frequently in denial and will baulk at letting an 'outsider' near the organisation until other options have evaporated. But early intervention is essential to increase the options available to stakeholders. The CRO's experience and knowledge of restructuring can mean the difference between bank support or default, recovery or failure. A successful outcome will mean the survival of the business and save jobs.

A good CRO will deploy both strength and diplomacy: they must be skilled negotiators while still being part of the team. But it remains a temporary role and they must never look to replace the CEO. By taking responsibility for the additional workload and the swift implementation of restructuring decisions, the CRO allows the board to continue to run the company. Having an expert on hand can be a huge comfort for the management team, however uncertain they may be initially.

Turnaround experts have assisted financially troubled companies in the reorganisation process for decades. Today, Chief Restructuring Officers work collaboratively with the whole management team. When a turnaround professional is employed as a CRO, there is an important perception that the person is in full control of the reorganisation process, has a high level of independence, and displays an overriding duty of care to the company. By working collectively long after the CRO has departed the long term results of restructuring, are much more likely to be positive.

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