THE ROLE OF THE CHIEF RESTRUCTURING OFFICER (CRO)

Responsibilities, Challenges, and Future Prospects

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WHEN FAILURE IS NOT AN OPTION

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The corporate landscape in Germany and around the globe is in a state of constant flux, facing persistent crises. Economic downturns, technological transformations, and geopolitical uncertainties present enormous challenges for businesses.

According to an analysis by rating agency Creditreform, the number of corporate insolvencies in Germany rose to 22,400 cases in 2024, marking a 24% increase compared to the previous year. Larger companies were particularly affected, with insolvencies in this segment increasing by 44%.

The 2024 Restructuring Study by Roland Berger highlights that the pressure for transformation and restructuring on German companies has never been greater. This is especially true for the automotive industry, construction and real estate, retail and consumer goods, and mechanical and plant engineering sectors. Approximately 98% of experts predict that this pressure will continue to rise in 2025 as businesses grapple with weak economic growth and structural issues.

In these challenging times, the Chief Restructuring Officer (CRO) plays a pivotal role. A CRO is a specialized executive appointed during crises to restructure and steer a company back to long-term success. This growing demand for CROs reflects the increasing frequency of financial and operational crises companies face.

1. DEFINITION OF CHIEF RESTRUCTURING OFFICER (CRO)

A Chief Restructuring Officer (CRO) is a specialized manager who intervenes in corporate crises to carry out restructuring or turnaround initiatives. Typically, the CRO serves on an interim basis, assuming temporary leadership during a critical period. A CRO is often appointed when a company is in an advanced earnings or acute liquidity crisis and requires a restructuring plan to ensure long-term viability. Frequently, banks financing the distressed company initiate the CRO's involvement as part of loan agreements or restructuring terms.

The CRO is an interim executive tasked with guiding a company
out of existential liquidity and profitability crises
by overseeing and executing the restructuring process
while coordinating stakeholders with the primary objective
to avert insolvency or liquidation.

CROs bear extensive responsibilities, encompassing operational leadership, crafting restructuring plans, and monitoring their implementation. They are often involved in preparing or executing a restructuring report (e.g., IDW S6), which external consultants typically develop under pressure from banks as a prerequisite for extending or renegotiating financing agreements. The CRO collaborates closely with shareholders, banks, creditors, and other stakeholders to stabilize the company's financial situation and achieve sustainable recovery.

Unlike traditional executives, CROs are usually external specialists appointed for their expertise in restructuring situations. Their objectivity and experience allow them to operate without the internal political complexities that often hinder decision-making during crises.

The CRO's strength lies in their expertise in restructuring and turnaround management.
Combined with the operational experience of the existing management team,
this partnership can effectively navigate and resolve acute crises.

2. CRO'S REQUIRED QUALIFICATIONS

The requirements for a Chief Restructuring Officer (CRO) are exceptionally high, as they operate in an extremely demanding and high-risk environment.

The challenges and uncertainties of restructuring and turnaround situations are typically significant. For this reason, a CRO cannot be a "jack of all trades." If a CRO presents themselves as such, they risk being naive, unrealistic, and overconfident, making them a liability. A CRO is not a novice testing the waters in restructuring; they are an experienced crisis manager who has navigated numerous critical situations. Additionally, the CRO is often not a pure industry specialist\u2014companies usually have enough of those internally. What a company urgently needs in such a tense crisis situation is a proven restructuring expert in executive leadership or on the board who can orchestrate the restructuring process and drive the turnaround.

An especially important aspect is the quantitative assessment of the required expertise. According to a survey conducted by the interim management firm Executive Interim Partners, in collaboration with the Ifus Institute and the consultancy SMP, involving 442 experts in corporate restructuring and transformation, a CRO must demonstrate high levels of competence in areas such as turnaround and crisis management, financial strategy, and liquidity management. Furthermore, the CRO must possess strong decisiveness, positioning them as a pivotal leader in crisis situations. Additionally, a CRO must have access to a robust network of restructuring advisors to quickly engage experts such as financial consultants or legal professionals during critical times.

The core qualifications and skills of a CRO can be divided into two main categories: technical expertise and personal attributes.

TECHNICAL EXPERTISE

- **Restructuring Expertise:** Corporate restructuring requires the ability to make quick and well-informed decisions. This encompasses knowledge of financial restructuring, operational turnaround strategies, and the implementation of liquidity-preserving measures.
- **Financial Expertise:** The CRO must be capable of creating detailed integrated planning and liquidity forecasts, as well as developing and executing financing strategies to guide the company out of the crisis. This includes negotiating loans and equity capital in close collaboration with banks and investors.

- **Experience in Stakeholder Management:** A CRO must effectively communicate with a wide range of stakeholders, including shareholders, investors, banks, creditors, unions, and employees. The CRO often acts as a mediator, coordinating and integrating the diverse interests of these parties.
- **Legal Knowledge and Negotiation Experience:** In crisis situations, the CRO must navigate various legal requirements, including insolvency law and labor regulations during negotiations with works councils and unions. Additionally, with the support of legal experts, the CRO negotiates credit and restructuring agreements with banks, as well as restructuring contributions from customers and suppliers. These experiences and skills are critical for ensuring a successful restructuring process and securing the contributions of all stakeholders to the recovery and refinancing efforts.

*In an acute crisis, the threat of insolvency,
combined with the severe constraint of liquidity shortages,
becomes the central issue for the CRO and management.*

PERSONAL REQUIREMENTS

In addition to technical expertise, certain personal attributes are crucial for a successful CRO. The most important include::

- **Assertiveness:** A CRO must be capable of making difficult decisions and implementing them, even in the face of resistance. It is essential to act decisively yet cooperatively to gain the trust and support of employees and stakeholders.
- **Communication Skills:** Clear and open communication is particularly important in times of crisis. The CRO must be able to inform all parties involved, alleviate fears, and explain the necessary restructuring steps in an understandable manner.
- **Emotional Intelligence:** The CRO needs to recognize and respond to the emotional state of employees and other stakeholders. During crises, people are often anxious or distrustful, and it is vital for the CRO to build trust through empathy, understanding, and demonstrable business success.
- **Resilience and Stress Tolerance:** The pressure on a CRO during a crisis can be immense, as they are tasked with guiding the company through a challenging phase. It is crucial for the CRO to maintain a clear mind and make quick, well-considered decisions, even in stressful and unpredictable situations.

3. TYPICAL TASKS AND ROLE OF A CRO

The responsibilities of a Chief Restructuring Officer (CRO) vary depending on the company's situation, but there are a number of core tasks required in almost every restructuring process:

Development and Implementation of a Restructuring Plan

The CRO's primary task is to develop a comprehensive restructuring plan, usually in collaboration with an external consultant (often an auditing firm) based on restructuring opinions assessing the viability of financially distressed companies (e.g., IDW S6 standards). This plan must encompass both short-term and long-term measures.

- *Short-Term Measures:* These typically include cost-cutting initiatives such as workforce reductions or the closure of unprofitable business units.
- Long-Term Measures: These may involve fundamental changes to the business model to better prepare the company for future challenges.

For coordinating the restructuring program, the CRO is typically assigned responsibility for the Program or Project Management Office (PMO). Restructuring is a comprehensive and complex team effort, with the CRO taking the lead role.

Liquidity Management and Financial Oversight

A CRO must ensure that the company remains liquid during a crisis. This requires immediate actions to maintain short-term solvency. These measures may include securing additional fresh funding in the form of equity or debt capital ("fresh money"), renegotiating the terms of existing debt or mezzanine financing, or divesting unprofitable business units. Effective liquidity management is critical to weathering the crisis and maintaining operational continuity.

Stakeholder Communication

Communication is one of the most vital responsibilities of a CRO. During a crisis, all stakeholders—ranging from banks and shareholders to employees and customers—must be well-informed and engaged in the process. The CRO must ensure that all parties support the restructuring efforts and contribute as needed, whether through financial concessions, personnel adjustments, or backing measures that stabilize the company. This requires a specialized crisis communication approach, characterized by:

- *Transparency:* Rebuilding trust with all stakeholders through clear and open communication.
- *Future Vision:* Providing a roadmap for the company's recovery and long-term success post-restructuring.

Personnel and Change Management

Given that many restructuring measures involve workforce reductions or organizational restructuring, the CRO must implement effective personnel management. This includes not only making decisions about department closures or layoffs but also motivating remaining employees and guiding them through the change process. Key considerations include:

- *Exhausting Other Cost-Saving Measures First:* Before implementing personnel cuts, the CRO must ensure that all other savings potentials have been realized, such as reductions in direct and indirect material costs, operating expenses, and investment expenditures.
- *Strategic Workforce Adjustments:* The CRO should prioritize reducing administrative roles, particularly at the management level, rather than targeting operational and productive staff as a first measure.

These strategies help balance the necessary restructuring efforts with maintaining morale and operational capacity.

The CRO must be a motivating communicator of the necessary changes,
capable of engaging and convincing teams and key performers within the company.
As an authentic role model and driving force behind the required transformation,
the CRO also serves as an integrative and empathetic figure for the management team.

4. TRENDS AND FUTURE DEMAND FOR CROS

The role of the Chief Restructuring Officer (CRO) has evolved significantly in recent years. One key trend is the changing perception of the CRO's position. While traditionally viewed as a crisis manager, the CRO is now increasingly seen as an interim executive or CEO who not only addresses immediate challenges but also makes long-term strategic decisions. In this expanded role, the CRO takes responsibility not only for financial and operational restructuring but also for the company's strategic realignment over the long term.

Restructuring processes are becoming increasingly complex. Economic and geopolitical challenges, along with digital transformation, are placing ever greater demands on companies. This has led to a rising demand for CROs with extensive expertise and experience in steering businesses through difficult times. In the future, it will be even more important for CROs to drive not only financial recovery but also cultural and technological transformations to prepare companies for the challenges ahead..

Shifting the deployment of CROs to earlier stages of restructuring processes could yield significant benefits. A proactive role for experienced restructuring managers could help prevent crises before they escalate. However, in practice, CROs are often brought in too late—typically only when a company is already in an acute liquidity crisis with unsecured financing.

The delayed engagement of CROs, often without granting them full executive authority, is a key reason why many restructuring efforts fail to avoid insolvency proceedings.

Engaging a CRO earlier, with comprehensive decision-making powers,
could improve the likelihood of successful restructuring outside of insolvency.

In times of economic uncertainty, the demand for experienced CROs is higher than ever. However, there is a limited supply of qualified CROs, particularly those who can act as interim CEOs or board members. This makes CROs a highly valuable resource for companies undergoing deep restructuring and turnaround efforts.

Banks' restructuring departments often rely on CROs with whom they have successfully collaborated in the past. These "work-out" departments are hesitant to engage unfamiliar CROs due to the risks and uncertainties associated with working with new restructuring experts. The involvement of a seasoned and trusted CRO - one who has previously executed a successful restructuring and turnaround - is a critical factor for banks. It not only facilitates their participation in the restructuring process but also supports the provision of financing required for the company's recovery.

5. OPTIONS FOR ENGAGING A CRO

There are several ways to engage a Chief Restructuring Officer (CRO) for a company in a restructuring situation:

Specialized Consulting Firms:

Companies like AlixPartners, Alvarez & Marsal, or Roland Berger offer specialized restructuring services. However, these firms typically do not assume executive roles, such as CEO or board member positions, to avoid liability risks and reputational damage. Instead, they operate as part of a larger team within the organization.

Freelance Interim CROs:

There are also independent, freelance interim CROs in the market with varying levels of experience. These professionals step in temporarily to guide companies through crisis situations.

Specialized Interim Management Firms:

A highly valuable option is Executive Interim Partners (EIP), a leading firm specializing in C-level interim management. Since 2015, EIP has provided interim executives, including CROs, in official roles such as CEOs or board members, to support companies in crisis situations. EIP's partners have served as CROs and restructuring advisors for notable companies, including LINDE+WIEMANN (automotive supplier), Tom Tailor (fashion company), real (grocery retailer), Mitteldeutsche Flughafen AG (airport operator) or BORCO (spirits company).

These diverse options enable businesses to select a CRO with the appropriate expertise and approach to effectively navigate restructuring challenges.

CONCLUSION

The Chief Restructuring Officer (CRO) is a critical position for companies facing crisis situations. With the increasing complexity of global markets and rapidly changing economic conditions, the demand for experienced and assertive CROs is expected to rise. However, the current pool of restructuring specialists in executive roles does not fully meet this demand and must be further developed.

Modern CROs must be capable not only of devising short-term solutions but also of driving long-term transformations to guide companies back to a path of success. The role of the CRO is increasingly viewed as an entrepreneurial, strategic, and communicative challenge, leading to the continuous evolution of this profession.

Companies should ensure they are prepared for future crises by engaging an experienced CRO as early as possible—one who is recognized and supported by stakeholders, particularly banks. This proactive approach is essential to effectively address challenges and secure the company's recovery.

ABOUT EXECUTIVE INTERIM PARTNERS (EIP)

Founded in Munich in 2005**, EXECUTIVE INTERIM PARTNERS (EIP**) is a leading organization and owner-managed partnership of experienced interim managers at the C-level, specializing in special situations that require immediate entrepreneurial action.

EXECUTIVE INTERIM PARTNERS consists of seasoned top-level managers at the executive and board level, who guide companies back on track, successfully manage special situations, and capitalize on opportunities.

Unlike management consultants and intermediaries (providers/recruitment consultants), EIP partners personally take on temporary responsibility as interim executives or board members in your company to successfully implement restructurings, turnarounds, complex transformations, corporate sales, or M&A transactions.

The partners of **EXECUTIVE INTERIM PARTNERS** support you and your company as an interim manager, especially in special situations that require immediate entrepreneurial action, such as

- Restructurings
- Liquidity crises
- Refinancing/Recapitalizations
- Exit preparations and company sales
- Value enhancements/ Exit readiness
- Company acquisitions and integrations (PMI)
- Complex transformations
- Strategic corporate crises/Revenue and growth crises
- Operational turnarounds
- Leadership crises or leadership vacuums
- Digitalizations

All partners of **EXECUTIVE INTERIM PARTNERS** have a proven track record as managing directors and board members - as interim managers or in permanent positions. Approximately 80% of our mandates result from executive functions as interim managing directors or board members (e.g. as CEO, CRO, CFO, COO, CDO, or CSO).

Our interim manager are deployed in the German-speaking region (DACH), European countries (including France, Sweden, Denmark, Czech Republic), as well as other international locations (including USA, Canada, South Africa, China, South Korea).

Clients of **EXECUTIVE INTERIM PARTNERS** are medium-sized family businesses, corporations and portfolio companies of private equity firms.

ABOUT THE AUTHORS

Michael Hengstmann is the founder of and Managing Partner at Executive Interim Partners.

He is also a co-founding partner and Co-CEO at Management Capital Holding AG, a private equity firm investing in medium-sized companies.

Prior to joining Executive Interim Partners, Michael was a Partner and Managing Director at AlixPartners, the leading consulting firm for restructuring and turnarounds.

Before that, he was a Partner and Managing Director at One Equity Partners, previously the captive private equity fund of J.P. Morgan.

Michael started his professional career at a family-owned company. He later was Project Manager at Arthur Andersen and Partner and Managing Director at LEK Consulting.

Michael has more than 20 years of experience in executive management roles and complex restructuring mandates, specializing in interim management for operational and financial restructuring.

Michael served as interim Chief Restructuring Officer (CRO), Chief Executive Officer (CEO) and Chief Operating Officer (COO) in several German and international companies with a track record in successfully restructuring, refinancing and turning around companies in special situations.

He is serves and has served as Chairman or Member of the Supervisory Board at several companies in Germany and abroad.

Michael earned his Master of Science in Management with Excellence at Hult International Business School in Cambridge/USA (formerly Arthur D. Little School of Management) studied Business and Administration at the Universität of Duisburg/ Germany.

Matthias Mezger-Boehringer is a Partner at Executive Interim Partners. He also serves as a Partner at Advenian Partners GmbH, based in Munich, Paris, and Zurich, an internationally active consultancy specializing in value enhancement programs and restructuring/turnaround strategies. In this capacity, he advises various companies, particularly in restructuring situations.

Prior to these roles, Matthias was a Partner and Board Member at REM AG for over ten years. REM AG is a consulting firm for medium-sized companies headquartered in Stuttgart. There, he led the Restructuring/Turnaround division, taking on numerous mandates as Chief Executive Officer (CEO) or Chief Restructuring Officer (CRO) in various mid-sized companies. He successfully managed restructurings, turnarounds, strategic realignments, and sales growth initiatives.

Matthias began his career at a major German computer company. Subsequently, he served as a board member and managing director in larger mid-sized companies across industries such as capital goods, trade, metal processing, consumer and branded goods/luxury goods, and the supplier industry. His work focused on market-oriented and strategic corporate management, sales, marketing, and brand management, comprehensive restructuring and turnaround efforts across all value creation levels and sustainable profit improvement. This included closing business units, as well as the acquisition or sale of companies or divisions.

Through founding and building sales and production companies in Europe, the USA, Japan, China, and Slovakia, Matthias has developed a strong international orientation.

He has been active as a supervisory board member in numerous companies and associations. Additionally, he delivers lectures on family businesses and has published works on this subject.

Matthias studied economics at the universities of Hohenheim (Germany) and Lausanne (Switzerland).

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