Why and When to Appoint a CRO

In business, as in life, crises rarely arrive with prior notice.

For companies facing distress, whether due to wrong capital structure, operational challenges, regulatory shocks or market disruptions, the ability to act quickly and decisively can make the difference between revival and collapse. Around the world, especially in developed markets such as the United States and Europe, the role of the Chief Restructuring Officer (CRO) and turnaround leaders has become a cornerstone of effective corporate turnarounds. However, in India, despite the learnings from last 3 decades of handling corporate defaults (from SICA to SARFESI to CDR and other RBI schemes and frameworks), we are yet to recognise the importance of preserving value during financial crisis and turnaround expertise as a specialist skillset.

This article explores when and why Indian companies should appoint a CRO, the distinction between turnaround and transformation, why incumbent management often struggles to lead during crises, and how both promoters and lenders can safeguard their interests while benefiting from external turnaround expertise.

CROs in developed jurisdictions: A proven model

In markets such as the US, where private credit, distressed investing and bankruptcy frameworks have evolved over close to five decades, CROs are frequently appointed at the first sign of serious distress. Acting as an independent, empowered executive, the CRO bridges management, creditors, and shareholders ensuring operational continuity while steering a path through complex restructuring. Their mandate is clear: preserve value, stabilize cash flows, restore stakeholder confidence and hand over a healthier business.

In industries ranging from airlines to retail, CROs have helped preserve thousands of jobs and billions in enterprise value by bringing in fresh perspective, objective decision-making and battle tested experience in crisis management. The acceptance of the CRO model in these markets reflects a cultural maturity: promoters and boards recognize that extraordinary times require extraordinary skill sets.

Turnaround vs. Transformation: Why the distinction matters?

Not every business challenge is a turnaround. Transformation is about bringing back growth, repositioning or adapting to new markets often pursued by healthy companies seeking to adapt themselves to changing external environment. Turnaround, by contrast, is a fight for survival. It is triggered by cash flow stress, covenant breaches, rising debt or eroding trust among stakeholders.

The difference is critical because it defines the kind of leadership required. Transformation can often be led by the incumbent management, supported by consultants and strategy teams. Turnaround, however, demands crisis management skills viz. hard choices around cost reduction, asset monetization, debt restructuring and operational resets. These decisions are rarely popular and often resisted internally. Expecting incumbent management, who may have contributed to the crisis or are emotionally invested in past strategies, to drive such changes objectively is unrealistic.

This is where a CRO brings unique value. Detached from legacy baggage, yet empowered to make difficult calls, the CRO provides the urgency, objectivity and authority that a crisis demands.

Why Indian promoters and lenders hesitate?

Despite the evident advantages, Indian promoters and lenders remain cautious about appointing CROs. The hesitation stems from several factors:

- **Promoter Reluctance**: For many family-owned or promoter-led companies, bringing in an outsider feels like ceding control. The CRO may be viewed as a threat to legacy authority or a signal of weakness to the market.

- **Lender Concerns**: Banks worry that if they insist on appointing a CRO, they may later be accused of interference or be held accountable for business decisions gone wrong. This fear of liability discourages them from formalizing CRO roles.

- **Cultural Factors**: India's corporate culture still places a premium on loyalty and personal relationships. Outsiders, however competent, may struggle initially to win trust.

- **Limited Precedents**: With only a handful of visible CRO-led turnarounds in India, the model lacks case studies that could build broader acceptance.

Yet, by avoiding CROs, both promoters and lenders often pay a higher price through value erosion, protracted negotiations, bankruptcy or worse, a liquidation.

Safeguards for Promoters and Lenders

The good news is that safeguards can be built to make the CRO model more acceptable:

- **Company led, clear mandate**: The scope of the CRO's role, whether financial, operational or both should be defined upfront.

- **Limited tenure**: A time-bound appointment (6–18 months) ensures the CRO's presence is focused on stabilizing, enhancing value, aligning capital structure and handover.

- **Joint oversight committees**: A committee of promoters, lenders and board representatives can monitor progress and ensure strategic alignment.

- **Indemnities for lenders**: Legal frameworks can protect lenders from being held liable for decisions taken by the CRO.

- **Performance-linked metrics**: Outcomes such as cash flow stabilization, debt service coverage, or covenant compliance can be set as milestones to measure effectiveness.

These measures provide reassurance to all sides, making the CRO's presence constructive rather than threatening.

When to appoint a CRO?

Appointing a CRO is not a decision to be taken lightly but delaying it can be fatal. Promoters and lenders should consider bringing in a CRO, even if few of the following apply:

- **Liquidity crisis**: The business is struggling to meet payroll, supplier dues, or debt servicing obligations.

- **Eroding stakeholder trust**: Creditors, vendors, or employees express declining confidence in management's ability to navigate the crisis.

- **Operational paralysis**: Decision-making is slow or the management team is in denial about the severity of challenges.

- **Complex stakeholder landscape**: Multiple lenders, investors, or regulators with conflicting interests are involved.

- **Failed restructuring attempts**: Prior efforts at financial restructuring have stalled.

- **Need for objectivity**: Promoters and management are emotionally invested, making it difficult to take hard calls such as divesting assets or downsizing.

- **External pressures**: Regulatory actions, litigation, or creditor threats create urgency for professional crisis leadership.

- **Cross-border complexity**: When multinational lenders, overseas operations, or foreign investors are involved, global experience of CROs becomes invaluable.

If two or more of these red flags are present, the case for a CRO becomes compelling.

Conclusion

India's corporate and financial ecosystem is mature. With the Insolvency and Bankruptcy Code, RBI's Prudential Frameworks and the rise of private credit, the broader ecosystem for turnaround is now in place. What remains missing is a cultural acceptance that crisis requires specialist skillset and independent leadership.

By normalizing the appointment of CROs, Indian businesses can bridge the trust deficit that so often derails restructuring. The payoff is immense: jobs saved and creditors recovering more than they otherwise would. For promoters, it offers a fighting chance to revive businesses without losing control entirely. For the economy, it strengthens resilience by reducing wasteful bankruptcies and protecting productive assets.

In a country aspiring to be the world's third-largest economy, every saved business is a contribution to growth, stability, and prosperity. Appointing a CRO is not a sign of weakness, it is a mark of responsibility. The sooner promoters and lenders embrace this truth, the stronger India's corporate future will be.