How to Hire a CRO: A Practical Guide for Lenders and Lawyers Working with Small Companies

Description

Picture a $15 million manufacturer two years into a slow bleed. Revenue is down, a key customer just walked, the bank has already restructured the loan one or more times, and the CFO's forecasts keep missing margins each quarter. The owner believes the business can still turn around. The lender is no longer sure. The lawyer in the room knows something has to change, but isn't sure what tool fits a company this size.

For companies in the $5 million to $50 million revenue range, this moment usually triggers a false choice: keep managing internally and/or push for payoff and ***hope*** the company does not file for bankruptcy, acquiescing to the court to sort it out for you. There is a middle path that most lenders and even many restructuring attorneys underuse, largely because they don't know it exists at a price a small company can afford: hiring a Chief Restructuring Officer.

Key Takeaways:

- A CRO is a Chief Restructuring Officer. They are an interim executive with real decision-making authority. That authority is typically defined in an engagement letter or, in a bankruptcy filing, an appointing order.
- When evaluating a CRO, look for a track record with similarly sized companies, transparent fee structures, caution around advisors who push bankruptcy too quickly, and credentials such as the Certified Turnaround Professional (CTP) designation. The engagement letter should clearly define scope, authority, reporting lines and termination terms to avoid scope creep.
- Newpoint Advisors Corporation's documented CRO engagements show a 34:1 return on investment, debt recovered relative to the cost of the engagement.
- There are two moments to bring in a CRO
    - The traditional trigger: a Chapter 11 filing, or one clearly coming.

    - An earlier, less obvious trigger: when a lender has restructured covenants multiple times, granted forbearance, and lost trust in management's ability to fix things.
- National CRO firms typically charge $80,000 to $500,000+ a month. But, a right sized engagement for a smaller company can run closer to $5,000 a week plus modest expenses.

What is A CRO

A Chief Restructuring Officer is an interim executive brought in with real decision-making authority, not just an advisor offering recommendations from the sidelines. The scope of that authority is typically spelled out in an engagement letter or, in a bankruptcy filing, or an appointing order.

But not all CRO engagements are the same, and that matters more than most people realize. Some CRO engagements exist primarily to satisfy a lender's checkbox: a senior creditor requires "adult supervision" be installed over management, and the CRO's main function is to confirm compliance and keep the court reporting orderly and timely. Other CRO engagements are built around actual change management: cutting costs, renegotiating vendor terms, restructuring operations, and driving the business toward a different outcome, while also supporting attorney strategies and administrative obligations that come with the role.

Both versions are legitimate. But a lender or attorney recommending a CRO should know which one their client needs. A company that is fundamentally sound but undisciplined may need a watchdog. A company that is genuinely failing needs someone empowered to make the business different, not just report on it.

When to Bring In A CRO

There are two distinct moments when a CRO engagement makes sense, and lenders in particular should recognize both.

The first is the traditional trigger: a Chapter 11 filing, or a filing that's been announced or is clearly coming. In that context, a CRO is typically retained by the board or ownership and reports to the board, the lenders, and the court. This is the more familiar path and the one most attorneys associate with the role.

The second trigger is less visible but arguably more useful, and it happens outside of bankruptcy often. It's the point where a lender has restructured covenants once or twice, granted forbearance, watched management's projections miss again, and has run out of patience. After as much as two years of promised improvements that haven't materialized, the lender no longer trusts the borrower to fix the problem on its own. That is the moment to push for a CRO, not another extension or another round of "we expect things to improve next quarter… and this time we mean it."

This second trigger is the one lenders should be watching for more deliberately. Waiting for a bankruptcy filing to bring in a CRO means waiting until the company has fewer options and less cash to work with. Pushing for one at the exasperation point, while there's still runway, often produces a better outcome for everyone at the table.

Why a CRO Beats the Alternative

For attorneys evaluating options in a Chapter 11 case, it's worth understanding how a CRO compares to a Chapter 11 trustee, the other path available when a senior creditor has lost confidence in management.

A trustee reports only to the court. The trustee doesn't work for the company or the board, and the role is fundamentally adversarial to existing management. A CRO, by contrast, is retained by the board or ownership and reports to the board, and by proxy, the lenders, and the court simultaneously. That structure makes the CRO meaningfully more debtor-friendly while still giving lenders and the court the visibility they need.

This option doesn't get used as often as it should. Part of the reason is that not enough debtor-side attorneys know it's available, and the ones who do are often only aware of the largest CRO firms, the names that necessarily charge $500,000 a month or more for mega-cases. Without visibility into a more affordable model built for smaller companies, attorneys default to two extremes: existing management fixes that aren't working or a trustee process that takes control away from the business entirely.

The Cost Question, Reframed

Cost is usually the first objection raised when a CRO is suggested for a small company, and it deserves a direct answer.

National CRO firms typically won't engage for less than $80,000 a month, and the larger firms capable of handling complex cases start around $500,000 a month. Those numbers are appropriate for large company restructurings. They are wildly disproportionate for a $10 million company.

A right-sized CRO engagement for a company that size can run closer to $5,000 a week, plus modest travel and incidental costs, often another $1,000 a month for a firm built to operate efficiently rather than send a full team. That's a fraction of what most people assume a CRO costs, because the assumption is built on pricing for companies fifty or a hundred times the size.

The more important comparison isn't the CRO's fee against doing nothing for free. It's the CRO's fee against the cost of continued decline: lost customers, deteriorating vendor terms, eroding lender confidence, and the real possibility of a forced liquidation that recovers far less for everyone involved.

Newpoint's documented engagement outcomes support a return on investment in the range of 34:1, reflecting debt recovered relative to the cost of the engagement. For a board or lender weighing $20,000 a month against the alternative, that math tends to resolve quickly once it's framed correctly. On average, a Newpoint (lower middle market) version of this engagement lasts about six months.

What to Look For In A CRO

Not every CRO is the right fit, and the diligence an attorney or lender applies here matters as much as the decision to engage one at all.

Look for a documented track record with companies of similar size and industry complexity, and ask directly about prior engagements rather than accepting a polished pitch. Transparency on fees and billing structure should be immediate and specific, not vague. Be wary of advisors who push toward bankruptcy too quickly, particularly when that path happens to generate more billable work for the advisor. A credentialed background, such as the Certified Turnaround Professional (CTP) designation through the Turnaround Management Association, is a reasonable baseline indicator of legitimacy and peer accountability for CROs.

The engagement letter itself deserves careful attention. It should clearly define scope, authority, reporting lines, and termination terms. Scope creep is a real risk: an engagement intended to run four to six months can drift toward a year or more without firm boundaries, and that drift erodes the very cost advantage that made the CRO worth hiring in the first place.

The Takeaway

For lenders and lawyers working with companies in the $5 million to $50 million revenue range, the CRO option is more available and more affordable than the market's reputation suggests. The barrier isn't usually cost. It's awareness. Knowing when to push for one, what kind of CRO engagement actually drives change versus simply checking a box, and how to evaluate the fit can mean the difference between a company that restructures successfully and one that runs out of road waiting for an internal fix that was never going to arrive on its own.

If your company or a client is facing declining revenue, mounting lender pressure, or a restructuring that needs real leadership, Newpoint Advisors Corporation can help. Contact Newpoint Advisors Corporation today to learn how a Chief Restructuring Officer engagement can turn things around, for your business or your clients.

If your business feels stuck, start with a conversation. Newpoint is here when you’re ready.

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