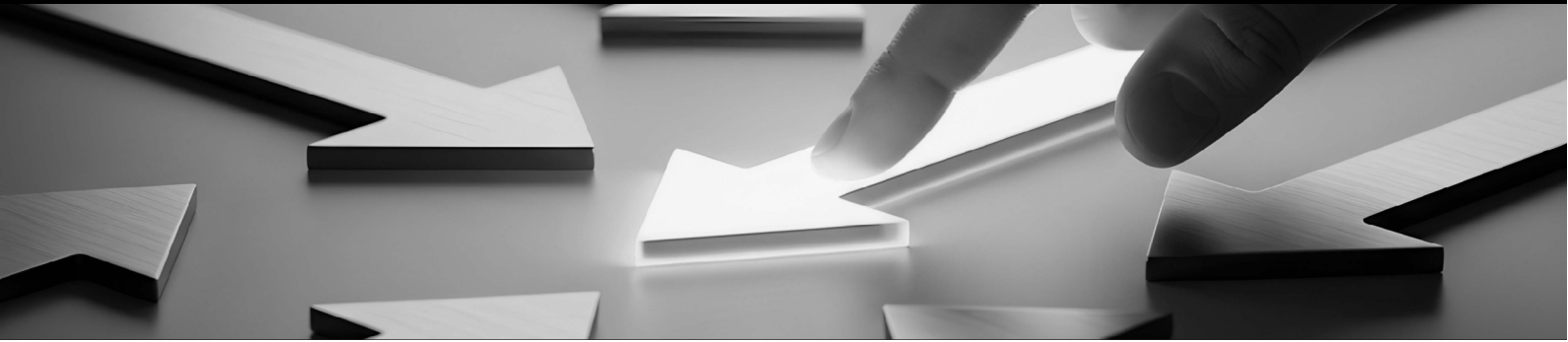




INSOLVENCY & BUSINESS RESCUE

The Chief Restructuring Officer in South Africa in 2026: A real option for the turnaround of distressed entities

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As South African companies continue to suffer from an ailing economy, and where we are seeing an increasing number of companies filing for liquidation, there is no doubt that the role and impact of the Chief Restructuring Officer (CRO) cannot be ignored.

Recent statistics released by STATS SA, confirm that 233 companies were placed into liquidation in April of this year. In 2026 alone, 891 companies have met their demise through a liquidation process. The University of Stellenbosch's Bureau for Economic Research (BER) reported this week that the business confidence index had dropped by eight percentage points directly attributable to the price cost impact brought about by the ongoing middle east conflict. According to BER, falling confidence is a warning signal that the economy is losing momentum.

The knee-jerk rush to file for a formal business rescue process needs to be carefully considered by the boards of stressed companies. Proper consideration should first be given to the appointment of a CRO as opposed to a business rescue practitioner. This allows a CRO to take a fresh look at the business and to offer effective turnaround strategies.

Of course it will always come down to "horses for courses" as financial pressure on the entity might be too great, requiring an urgent filing for business rescue and where the benefit of a moratorium on claims against the company provides the required breathing space needed in the restructuring process. The default position is of course a filing for liquidation, which effectively ends the life of the company with subsequent job losses and cessation of trade.

But it takes a brave director to be able to recognize a decline of the company into the abyss of financial disaster. The last thing that would be high on the board's agenda in a cash strapped entity would be to admit a potential slide towards business failure and where they would just hold up their hands and actively look for the outside assistance of an independent supervisor, such as a CRO.

Board members of failing companies need to accept that the slow slide towards financial distress is often as a consequence of their own limited management skills in being able to trade the entity out of its financial distress. Often the fear of failure and where directors, not used to making unpopular and difficult decisions, place themselves into a proverbial "rabbit in the headlight" scenario and which makes the need for the appointment of an independent turnaround consultant even more necessary.

The risk of personal liability and opening oneself up to scrutiny by creditors after the company has filed for insolvency, should persuade directors to engage a CRO as early as possible.

A CRO would have as an objective the restructuring of the affairs and business of the company, so as to ensure that the entity can continue to trade into the future on a solvent and effective basis. To do this, the CRO needs to remain independent and do his best to make the hard decisions for the commercial benefit of the operation. The achievement of stability, being able to trade profitably, without ongoing decline are the objectives for the CRO.

A restructuring led by a CRO is aimed at delivering an entity back into the market with its debt restructured, operational and financial changes having been made, with cash burn being reduced, with prejudicial contracts renegotiated, or terminated, and with management and employees realigned to upscale business profits and upside for shareholders and stakeholders. The objective must be to maximise the returns for lenders and creditors faced with the potential fallout of massive debt write offs in the event that these companies file for business rescue or liquidation.

In the recent RT Global CRO Study (March 2026), "The CRO in Transition – Restructuring that Creates (More) Value", conducted together with the renowned IFUS-Institute in Europe, submissions were made in support of the CRO restructuring option. RT Global submitted that "in many crisis situations, the CRO is still brought in as a 'firefighter,' far too late, and in an environment already shaped by political dynamics, and with the CRO having limited decision-making authority."

RT Global were of the view that "the CRO office, with clear governance and real executive authority, is becoming the international standard in restructuring. The CRO mandate determines whether restructuring remains an issue of damage control – or becomes a strategic leadership tool."

In order for South African corporates to consider the clear advantages in appointing CRO's in failing entities, it is clear that the CRO must be brought in as early as possible and prior to significant damage having impacted the business and its ability to trade out of decline. This requires a change in mindset and where directors and management need to be mature enough to recognize the need for intervention and supervision and to do so as early as possible.

CRO's must be given clear and concise mandates and with the required milestones in place. Targets for the achievement of both operational and financial turnaround must be set up front, so that all stakeholders are on the same page from day one.

Realistic outcomes must happen within as short a timeframe as possible, so that the turnaround can be given the best possible chance to succeed.

For South African corporates, agility in distressed situations must be a top priority and particularly so in volatile and uncertain times. The appointment of a competent CRO, that has the ability to create stability and a workable turnaround for the company must bode well for distressed companies and for the South African economy.



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