

Shobhana edit

***Nilekani's return brings temporary comfort, a lot depends on who the new CEO is and boardroom calm***

Nandan Nilekani's return to [Infosys](#) as non-executive chairman will bring comfort to institutional investors and stem the slide in the stock price but only temporarily. For Infosys to regain its pre-eminence, it must find itself a good CEO and, more importantly, the founders must let the CEO do her or his job without interfering. Given his stature and connections, Nilekani should be in a good position to recruit a CEO. To be sure, prospective candidates will be wary of coming on board given the extremely shabby and totally undeserved treatment meted out to the previous CEO, Vishal Sikka, by NR Narayana Murthy. Nevertheless, since there is no doubt that many will aspire to the position, Nilekani may be able to convince one of them to join the company. From the perspective of shareholders, both small and large, the damage that has been done by the unseemly spat between Murthy and the board will be hard to undo in the near-term. The exit of Sikka, who was transforming the company to deal with new-age technologies and spaces and to focus more on products, will set the business back by about a year. The interim MD & CEO will have his hands full, because not only must he oversee all existing projects to keep them on track, he will also need to ensure the company doesn't lose any good clients even if it doesn't win any big accounts.

This would mean that until the new CEO is on board, no top executive is going to focus on the larger strategy and put in place the team that is going to execute it unless Nilekani intends to do that. Even if Nilekani does set the ball rolling, it could be a good six-eight months before the new CEO is hired and gets into the groove. No matter how competent and experienced a professional is, he or she will take time to settle down. This is a very difficult time for the IT sector given the slowdown globally and the big leaps in technology. Infosys's performance was just beginning to get better under Sikka; his strategy of getting growth backed by attendant changes to the delivery model and continuing efforts at making sales more effective was appreciated by the Street. The comments from analysts on the conference call post his resignation showed how much they respected his ideas and believed in them. Indeed, it looked like Sikka was settling in nicely, and his exit is unfortunate since he was the first non-founder to occupy the top position. While the company may choose to withdraw the press release that the board issued to announce Sikka's resignation, attributing it to the assault from Murthy, and

which notes that Murthy made “inappropriate demands”, few will forget.

Institutional shareholders must now keep their fingers crossed on there not being a repeat of the events of the past year or so. It will be interesting to see how many of them pare their holdings once the stock reverses some of its losses. Nilekani may be able to reassure them that all is well, but at the end of the day, only performance can drive the stock.