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Gerstner to Be Chairman of Carlyle Group

By STEVE LOHR

Louis V. Gerstner Jr., who is stepping down as chairman of [I.B.M.](#), will become chairman of the Carlyle Group, a private investment firm known for its financial performance and its stable of former government officials, including former President George Bush.

Mr. Gerstner, who is to leave I.B.M. at the end of the year, will start his job at Carlyle on Jan. 7, the investment firm announced yesterday. Yet at Mr. Gerstner's insistence, the Carlyle post will be part time, taking up about 20 percent of his time.

Mr. Gerstner, 60, plans to pursue a wide-ranging set of interests. Beyond spending more time with his family, he intends to set up an education commission that will focus on improving the quality of teaching. And he has been accepted at Cambridge University in England, where he will study Chinese history and Chinese archaeology, though he has not yet determined when he will attend.

At Carlyle, Mr. Gerstner will sit on the investment committees of two of the firm's 23 funds, a venture fund and a buyout fund. He will be asked to advise the fund managers on industries in which he has expertise and to be a mentor to the senior managers of Carlyle companies.

Mr. Gerstner brings to Carlyle an executive pedigree and reputation that is expected to be a valuable asset as the investment group seeks new opportunities. "Lou Gerstner is one phone call away from every chief executive officer in the United States," said Daniel A. D'Aniello, a co-founder of Carlyle.

Mr. Gerstner will succeed Frank C. Carlucci, a former defense secretary, who will become chairman emeritus. In the 1990's, Mr. Carlucci steered Carlyle, which was founded in 1987, toward military industries, where many of its most lucrative investments have been made. One of its biggest returns was on United Defense, a military contractor that went public a year ago, making Carlyle's initial investment of \$130 million worth \$900 million.

Though its largest paydays have come from military investments, Carlyle has diversified considerably. The arms business represents about 10 percent of the firm's current investments, down from 60 percent at the peak in the 90's.

Adding Mr. Gerstner — who has held senior executive positions at [American Express](#), RJR Nabisco and I.B.M. — is expected to continue the trend. "While not premeditated, he will be additive to the path we're on," Mr. D'Aniello said.

In recent years, Carlyle has been successful both at raising and making money. It has raised \$14 billion in the last five years or so, and its annual rate of return has been 36 percent. Its 550 investors consist of institutions and wealthy individuals from around the world including, until shortly after September 2001, members of the bin Laden family of Saudi Arabia. The family — which has publicly disavowed links with Osama bin Laden — had been an investor since 1995.

Carlyle, based in Washington, has also stood out among investment firms for having several former senior government officials on its payroll in one capacity or another. Besides the senior Mr. Bush, they include James A. Baker III, a former secretary of state; John Major, the former British prime minister; Arthur Levitt, former chairman of the Securities and Exchange Commission; and William E. Kennard, a former F.C.C. chairman.

The extent of Carlyle's government links, especially because President Bush's father is an adviser, has been a subject of scrutiny and criticism. And Mr. Gerstner, unlike Mr. Carlucci, brings a résumé from business rather than government.

"I'm not sure what the motive is, but this does seem to be a move away from Carlyle's image of cashing in on the old Washington Rolodex," said Charles Lewis, executive director of the Center for Public Integrity, a nonprofit research group.

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