The Pictet model
A company that continuously reinvents its family ownership

A case study by Torsten Groth and Fritz B. Simon
Witten Institute for Family Business
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Of all the ways we know to ensure the survival of a company, the most radical
was developed by the Geneva wealth and asset management group Pictet. It
embodies family and business structural principles in a unique – perhaps even
ideal – way. Yet, over the past 200 years or so, the organisational structure of
Pictet has been constantly refined on the basis of tried-and-tested practice, after
originally evolving in an unplanned way.

What makes the Pictet model so appealing is that it seems to have succeeded
in squaring the circle. It may be true that family businesses gain a survival
advantage compared with listed companies, since their capital is provided by
a family rather than a market. But there lies the risk, too, since family dynamics
are centred on personalities, and emotions play a central role in behaviour and
decision-making. Pictet’s partnership model seems to have found a way to
exploit the advantages of family-type structures to the maximum, while at the
same time reducing the associated risks to the minimum.¹

¹ The Pictet model

* The original case study was published in 2005
  in the book Mehr-Generationen-Familienunter-
  nehmen by F.B. Simon, R. Wimper, T. Groth,
  Carl Auer Verlag

¹ We should like to thank Ivan Pictet (Senior Partner,
  2005-2010), who provided insights into the organi-
  sational model of his business for the first edition of
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  improvements and updates.
A little history
In 1798, the city state of Geneva was annexed by the French Directoire and became the capital of the Département du Léman. War and blockade had interrupted the export of watches – Geneva’s forte – while the French monarchy’s default after the Revolution had caused most banks to collapse. Yet Geneva’s entrepreneurial flame, kindled by Calvinist principles of discipline and hard work, and fanned by the optimism of the Enlightenment, stayed alive. As the Revolutionary inflation subsided, a new generation of financial partnerships emerged, eventually to be known as private bankers.

“The formal history of Pictet begins in Geneva on 23 July 1805. On that day, two young gentlemen – Jacob-Michel-François de Candolle and Jacques-Henry Mallet – signed, with three limited Partners, a scripte de société to form the original partnership of De Candolle, Mallet & Cie.“

Thus begins the history of the company as described in the Pictet Annual Review published in April 2017. It was only in 1841 that a member of the Pictet family became one of the bank’s General Partners. Shortly before his death, Jacob-Michel-François de Candolle, having no son to succeed him, turned to his wife’s nephew, Edouard Pictet (1813-1878), who became a Partner in 1841. The bank was then known as Turrettini, Pictet & Cie until 1848. The Pictet name has been associated with the Pictet Group ever since.

Apart from Pictet, other Partners’ names also appeared regularly throughout the bank’s history. In the 19th century, these were names such as Necker, Candolle and Turrettini, who came from the same circle of families and therefore belonged to the Calvinistic milieu of the city of Geneva. In 1909, the bank finally looked outside these families, when Guillaume Pictet appointed Jacques Marion, a loyal employee, as a Partner. Then, in 1914, on the eve of the First World War, the bank took as a Partner Gustave Dunant (1880-1933), formerly one of the owners of a London bank, Morris, Prevost and Co. This was to have a major influence on business relationships with Britain.
Even these apparently insignificant developments show that at Pictet, ownership decisions were being made that would have been unthinkable for many family companies: a wife’s nephew succeeding to the business, and employees and even owners of other companies being accepted as Partners. At the same time, since the decisions were clearly beneficial to the success of the business, this created a precedent for the integration of non-family members which was to continue in succeeding generations.

More names can be added from this point on, as many non-family members played a significant role as Partners in the 20th century. Here we can already see the particular Pictet paradigm: the business does not pass down by linear descent through one family, as traditionally defined; instead, members of selected families acting as Partners have developed its model over several generations. Ivan Pictet, former Senior Partner of the bank, explains this as follows: “We are not actually a family business, but rather a family-run business.”

The Partners’ Committee: operation, customs and succession
Since it was founded, the company has always been owned by several active Partners. To begin with, there were only two or three, but in recent decades the number of Partners has expanded along with the Group. Nevertheless, Pictet demonstrates all the features and advantages of a family business. Members of the Pictet family have had a substantial involvement in managing the business for around 175 years (or nine generations), and they will probably continue to do so in the future. Until today, the majority of Partners come from a small circle of families who

have been part of Geneva society for a very long time. In addition – and this is the most fascinating aspect of the Pictet model from a systemic point of view – the Partners’ Committee appears to recreate the structures of a nuclear family (or team), yet new Partners are not chosen solely from within the narrow limits of parentage and close relationships.

The business has established an ownership structure in accordance with its own particular continuity objectives, developing a system of management by Partners which encourages its own cooperation and self-renewal. When Marc Pictet says: “The Partnership is a family,” the dual, nuclear family and management team nature of the Partners’ Committee becomes evident.

The Partners’ Committee generally consists of about six to nine Partners (currently there are six), who jointly own and manage the business. The “Senior Partner” has a special role to play. His role and function is more like that of a referee than a chairman of the board. Thus the six Partners at Pictet today (two of whom carry the name Pictet) always make decisions jointly.

One similarity to the rules and social forms of nuclear families may be seen in the three-generation formula: the Pictet Group strives to appoint new Partners every five to ten years or so (Marc Pictet and Bertrand Demole, appointed in 2010, are currently in their early 40s). This accession pattern usually means that there are two or three Partners aged between 45 and 55 (currently Laurent Ramsey, Renaud de Planta and Rémy Best), while the most experienced Partners are generally aged between 55 and 65 (at present, Nicolas Pictet). The movement
through the generations is therefore predictable, institutionalised and regulated as a foreseeable aspect of the team’s life-cycle. Moreover, succession can take place within a narrower time-frame than is true for family companies, which see the baton passed on to the next generation of descendants every 25 to 40 years.

Once they leave the Group, the Partners have no further claims on the business (though the custom is that they remain available to offer advice to their successors, and may continue to look after selected clients). They keep only the capital they have generated for themselves in the course of their career and are bought out at book value by existing and new Partners. Each new Partner receives a form of loan from the others in order to acquire his initial stake, reimbursed over several years with capital arising from his share in the profits. This means that, in terms of the capital tied up in the company, all Partners are on a similar footing until they leave the company. Thus, although a Partner generally remains an owner throughout his career, it is a temporary position that is associated with the individual and his management function, not his family, and cannot be passed on to his children.

The personal nature of communication – something that is typical of modern nuclear families – is assured by the small number of Partners, who also work together in close proximity on a day-to-day basis. Experience shows that groups of over 12 people need someone to organise communication as, at this point, the number of possible two-way conversations increases, and there is less likely to be spontaneous informal communication among participants.

On this subject, Renaud de Planta states: “We believe that the ideal number of Partners is between six and nine. A certain number are required in order to cover the various areas of responsibility within the Group. However, if there are too many people, it becomes difficult to reach joint decisions.”

The Partners have morning meetings in the “Salon” several times a week. This allows current matters to be discussed and decided as necessary, quickly and informally. Meanwhile, longer meetings are scheduled to deal with strategic planning and more complex subjects. The aim is to ensure that time is not wasted on unnecessary bureaucracy, while at the same time applying contemporary standards and meeting all regulatory requirements. In the management of Pictet, a culture of communication and consensus has thus become established over the decades. This has come to be regarded as indispensable for the proper functioning of the team, not least because of its flexibility.

The importance of personal relationships is also evident in the manner in which new Partners are appointed. It is not just a matter of “buying into” the company: new Partners have to be nominated by existing Partners. And as they know they will be working together for the next 20 years or so, this decision is probably given more consideration than many marriages. The Partners certainly have to get on well with each other, but this, in itself, is not sufficient. What is needed is the right match at an emotional, intellectual and cultural level, together with a high level of expertise. According to Jacques de Saussure, former Senior

2 Although since the change in legal status, the Salon is required to minute decisions formally.
In Pictet’s example, the relationship between the generations is unencumbered by childhood experiences or generational conflicts. From the start, it is a relationship between adults. Moreover, to rely on one’s family members is generally a matter of chance; membership in the Partners’ Committee, by contrast, can be restricted to those with whom the Partners actually work well and particularly those who have the required skills and qualifications. As the relationships forged serve the same objective goal, they are less vulnerable than family ties to emotional disappointments and complications.

Other aspects of a family arrangement do nevertheless surface in the group of Partners. The most significant in this respect is the principle of equality. Each Partner has one vote. There are none of the hierarchical differences that would result from the status of majority or minority Partners. And even if there are some differences with respect to age and seniority of partnership, this is not associated with any formal power. Authority has to be earned and preserved through the individual Partners’ contribution to the company as a whole. The Senior Partner is a special case, as he acts as a spokesman to the outside world and as an arbiter within the Partners’ Committee.

Nicolas Pictet, who became Senior Partner in 2016, emphasises three main aspects of this role: “The first is to ensure the Partners work effectively and in harmony, and that contains both a professional and a human element. The second is to act as an ambassador of the firm, a double role that concerns both the staff and the external world. And third, the Senior Partner, “A new Partner must be somebody you would also like to go out for a meal with.”

From these rules, we can already see some of the advantages of such a fabricated “nuclear family” compared with biological families.

A wider pool of candidates can be considered as part of succession planning. Their development can be observed and evaluated over a period of years. When a successor is needed, the most able can then be selected. The sequence of the generations is conceived as a “transmission without DNA” (Jacques de Saussure), and according to this principle it is based functionally, socially and temporally on the needs of the business, and is far easier to plan for than would be the case in a natural family. It does not depend on a descendant being willing and able to take over, as would be expected and hoped for in “nuclear family” models. At the same time, the Pictet model is not so open and unconstrained as the succession process is in the case of boards or teams of directors.
Partner must embody the values and culture of the firm, a role that’s more symbolic, and one must live up to people’s expectations.”

The link to the extended Pictet family is closer than might be expected, given the formal distance. According to Ivan Pictet, there is no shortage of suitable offspring waiting in the wings. In this respect, the family may be considered to have privileged access, making itself available to the company as a resource. A suitably qualified Pictet always has the option of joining the firm. However, the family aspect is restricted by the unwritten rule that a father and son or two siblings cannot be Partners at the same time. “We want to avoid any clannishness or family disputes,” say the Partners. And to further reduce the likelihood of emotional complications, the Partners from the Pictet family must be chosen by the non-family members among the Partners. The family relationships are thus counteracted to a certain extent by a system of “chosen relationships”.

In general, the Partners bearing the Pictet name have the same rights and obligations as the others. Their partnership, and thus their entitlement to a share in the company profits, is restricted to the period they remain with the company. It ends once they leave the Group. Furthermore, their offspring are never automatically entitled to become a Partner; they too have to be suitably qualified.

Internal decision-making among the Partners focuses more on maintaining equilibrium than exposing conflict. There is no formalised voting system. In the event of a difference of opinion, the Senior Partner takes on the role of coordinator, seeking to find a balance between opposing forces. “Whenever there’s any doubt, we postpone the decision and sleep on it. The decision we eventually take always turns out to be one that is balanced and well-rounded,” says Rémy Best.

Even teams that work on the basis of consensus need to weigh up the cost of such a decision-making model. It is possible for discussions to take too long reaching mutual agreement, and to lead to rather risk-averse decisions. However, the Pictet management sees this characteristic as allowing the Partners to consider their decisions more efficiently, and if things turn out negatively, to take joint responsibility for the consequences, since decisions cannot be forced through by a majority against a minority.

From a historical perspective, such a model emerges naturally in Calvinist Geneva, with a cultural framework that values the personal attributes of modesty, discipline and understatement. These underpin the spirit of Pictet. An unwritten but unanimous objective among the Partners is to constantly improve the Group and to pass it on to the next generation of Partners in the best possible condition. Just like many other heads of families, the Partners see themselves as custodians of wealth. Wealth is passed on, and the business may not be sold to outsiders, or other investors allowed to buy into it.

This objective has clearly been met over the past two hundred years, with a semi-open partnership structure that offers talented and motivated individuals from outside the family an opportunity to contribute to the Group’s leading position. Meanwhile, continuity has been assured by consistently focusing on the Group’s core business – wealth
and asset management – and resisting the temptation to make short-term gains in investment banking. Lastly, what makes this model so unique and so successful is the manner in which it combines experience with youthful energy, continuity with a spirit of innovation, and a family environment with external influences. As a consequence, Pictet is today one of the world’s leading wealth and asset managers.

And, against a background of tradition and consistency, it has always enjoyed the ability to adapt to a changing environment. As Ivan Pictet pointed out in an interview after the first edition of our book, the basic rules given here are not embedded in stone: “They can be changed at any time.”

New equity owners and a change in Pictet’s legal status

Two major changes have taken place since the first edition of our book was published. For the first time, in 2006, Pictet gave a select circle of top managers the opportunity to participate with a small share in the business. Today, including the Partners and recently retired former Partners, there are 50 equity owners. This development may also be seen in many other businesses, such as Oetker, Merck and Freudenberg. Family companies offer their management staff a share in the success of the business not just financially (which could be achieved using other types of bonus), but also emotionally, by giving them the chance to become shareholders.

Furthermore – and this was a much more important step – the legal form of the Group’s Swiss bank was changed. On 1 January 2014, Pictet & Cie, which had been run as a partnership for over 200 years, became a limited company called Banque Pictet & Cie SA. A partnership limited by shares was founded, bringing together all Pictet Group entities.

Both these steps should be seen in the context of the huge growth achieved in recent decades. Whereas Pictet had 300 employees in 1980, it now employs approximately 4000 in 26 locations. The managerial tasks involved could no longer be undertaken by a limited circle of Partners. However, given the desire – as was the case with Pictet – to keep this circle small in order not to jeopardise the decision-making capability of the Partners, the question arose as to how to retain and reward the second level of management. Furthermore, it was also necessary to make changes to the legal form in order to facilitate the creation of foreign subsidiaries. As Jacques de Saussure put it: “The company outgrew its legal form.”

Changing the legal form from a partnership of individuals to a corporation had an impact on several framework conditions of relevance to family businesses. The company is required to make information public, and the unlimited personal liability of each individual Partner to the operating businesses no longer applies. Although these changes may be very new to a typically reticent Swiss banking institution, they are part of the evident opening-up of the entire Swiss banking sector, and have been implemented by Pictet management with a view to the growing number of international, institutional clients who welcome transparency in the accounts. Here too, however, Pictet tries to balance the opposition between tradition and innovation in a
manner that is suitable to a family company. The legal form has been altered and annual reports are now published, but the principles governing succession planning and transfer of ownership – in other words the core components of the unique Pictet model – have been retained.

Summary
This extraordinary example of a family-run firm that is not actually run by the family itself is based more on the bank’s 212-year-old history than on a carefully devised strategy – even if Ivan Pictet describes it as “ideal for the size of the company and the line of business we’re in”. In all this time, the organisational structures have obviously evolved, with a greater understanding of the co-evolutionary unit of a family-like partnership and a business. The model that has emerged and survived to this day is one that almost perfectly resolves the paradox that arises from the different rules of play associated with a family and a business organisation.

The Partners’ Committee combines the most efficient aspects of family structures and communication forms with the most efficient aspects of business structures and communication forms, optimising the risks and opportunities of both social systems. Unlike the “Extended Family as an Organisation” model, the interface between the Pictet family (which now has a considerable number of members) and the company does not need any complicated committees and official communication channels to resolve this paradox. Instead of having to manage an ever-increasing family, it simply has to manage and structure the composition of a group of Partners who cooperate in the same way as a family.

The Pictet Group cannot be clearly classified in our spectrum of nuclear-to-extended family models. For instance, in some respects the company recreates the nuclear family and yet, in other key points, is completely different, e.g. with no first or second-degree relations allowed in the “family” of Partners, and rules of access to the Partners’ Committee similar to those of a business organisation. Moreover, the company’s extended Pictet family draws on its members as a talent pool for prospective Partners. In all cases, however, it uses the mechanisms and rules outlined above to ensure that the company’s survival always remains top priority.

In short, this company has found a means of constantly recreating and renewing its ideal nuclear family of owners – except that this “family” is not in fact a family at all.