

The Pictet model

A company that
continuously adapts
its model of family
ownership

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

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One of the most radical and yet most adaptable ways to ensure the survival of a company was developed by Pictet, the Geneva-based wealth and asset management group. Its approach combines family and business structural principles in a unique – perhaps even ideal – way. For more than 200 years the organisational structure of Pictet, which initially evolved in an unplanned way, has been continuously adapted on the basis of tried-and-tested practice and against the backdrop of business requirements.

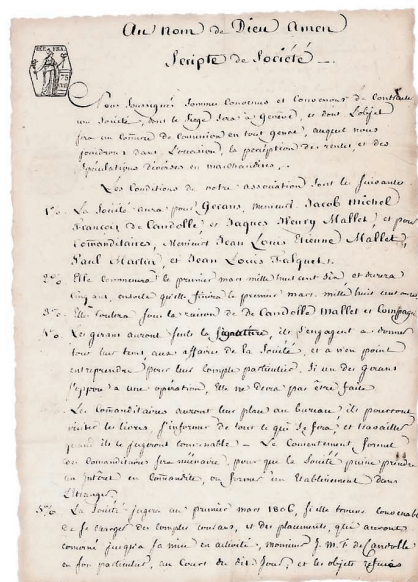
What makes the Pictet model so appealing is that it seems not only to have succeeded in squaring the circle, but keeps on doing so time and again. Let us examine what is meant by this metaphor. It may be true in general that family businesses gain a survival advantage compared with listed companies because their capital is provided by a family rather than a market, but therein lies their risk, too, since family dynamics are centred on personalities, and emotions play a central role in behaviour and decision-making. Over several generations, it is not uncommon for family firms to fail to strike a balance over the long term between thinking like a family and thinking like a business. By showing itself capable of developing in an evolutionary manner, 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 minimum¹.

¹ We should like to thank Ivan Pictet (Senior Partner from 2005 to 2010) for providing insights into the organisational model of his business for the first edition of the book after the actual research project had been completed. Jacques de Saussure (Senior Partner from 2010 to 2016), Renaud de Planta (Senior Partner from 2019 to 2024) and Marc Pictet, currently Senior Partner, agreed to be interviewed for the initial updates and further details.

The Pictet Group

A SHORT HISTORY

In 1798, the city state of Geneva was annexed by the French *Directoire* and became the capital of the *Département du Léman* – as part of France. 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 a result of the inflation which persisted after the Revolution, a new type of financial institution emerged, later to be known as private bankers.



The *scripte de société* signed in 1805 by Jacob-Michel-François de Candolle and Jacques-Henry Mallet to form the original partnership

The formal history of Pictet began in Geneva on 23 July 1805. On that day, Jacob-Michel-François de Candolle and Jacques-Henry Mallet signed, with three limited partners, the *scripte de société* that created the original partnership of de Candolle, Mallet & Cie.

It was not until 1841 that a member of the Pictet family became one of the bank's 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 Turretini, Pictet & Cie until 1848. "Pictet" has been part of the firm's name ever since – and care has

been taken to ensure that the ownership circle includes at least one person of that name. François Pictet, the son of former Senior Partner Charles Pictet, was recently appointed as a Partner. This means there are now two Partners bearing the name, the other being Marc Pictet, who is descended from a different branch of the Pictet family; he has been a Partner since 2011 and is now Senior Partner.



Jacob-Michel-François de Candolle, one of the founders of the bank

Apart from Pictet, other Partners' names also appeared regularly throughout the bank's history. In the 19th century, these were names such as Necker, de Candolle and Turrettini, who came from the same circle of families and therefore belonged to the Calvinist *milieu* of the city of Geneva. It was not until 1909 that Guillaume Pictet looked beyond these families for a suitable director for the bank and appointed Jacques Marion, a loyal employee, as a Partner. Then, in 1914, on the eve of the First World War, the bank invited 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 the UK.

More names could 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, its model has been developed over several generations by Partners who are drawn from selected families or employees handpicked for their outstanding contributions. 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." Nowadays, perhaps, more emphasis would be placed on it being an "owner-run business".

Private bank,
specialising in wealth management
and asset management

Some **5,500** employees worldwide
(as at 31 December 2024)

CHF **724** billion
in assets under
management or custody
(as at 31 December 2024)

A number of incidents show that at Pictet, ownership decisions were being made that would have been unthinkable for many family businesses: 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 the succeeding generations and has developed even further in recent years, such as through the appointment of Laurent Ramsey, Sébastien Eisinger, Raymond Sagayam and the very first female Partner, Elif Aktuğ.

FORMAL AND INFORMAL RULES AND STRUCTURES

Since it was founded, the company has always been owned by several Managing 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 has all the features and advantages of a family business.

For one thing, members of the Pictet family have had a substantial involvement in managing the business for around 180 years (or nine generations), and it is highly likely that they will continue to do so in the future. We can rightly speak, therefore, of the co-evolution of family and business. Second, a significant proportion of the Partners have come from a small circle of families who have been part of Geneva society for a very long time. Third, key personnel from within the company are also invited to join the Partners if they are able to contribute both professional expertise and the right cultural fit. Overall – and this is the most fascinating aspect of the Pictet model in terms of systems theory – the Partners' Committee appears to recreate the structures of a nuclear family (or team), yet recruitment decisions are not made within the narrow limits of parentage and close relationships. A look at the criteria for choosing Partners – in addition to the high degree of competence they are expected to have – shows that what makes the ownership circle special is a balanced combination of three things: direct descent (Pictet family), local cultural background (Geneva and its environs), and the cultural fit between carefully selected senior executives.

Based on these three criteria, Pictet as a business has set up an ownership structure that is in keeping with its own particular survival objectives. It has developed a system of management by owners which promotes and regulates its own style of cooperation and enables constant self-renewal.

It is probably no coincidence that the result is a social entity with many of the characteristics – and therefore the functions – of a nuclear family, while at the same time demonstrating many of the features of a management team. When Marc Pictet says: “The Partnership is a family,” the dual nature of the team of Partners becomes evident.

“We believe that the ideal number of Partners is between six and nine.”

RENAUD DE PLANTA

The Partners’ Committee generally consists of about six to nine Partners who jointly own and manage the business. The “Senior Partner” has a special role to play. They chair the meetings, essentially determine the agendas and take charge of interactions with other management bodies. Overall, the Senior Partner’s role and function is more like that of a referee than a chair of the board. The seven Partners at Pictet today (two of whom currently bear the name Pictet) always make decisions jointly.

A UNIQUE SUCCESSION PATTERN

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 regularly – every five to 10 years. This accession pattern means that the youngest Partners are usually in their early 40s, several others are aged between 45 and 55, and the most experienced Partners are generally aged between 55 and 65. The “generational transition”, as it may be termed, is therefore not a matter of chance – dependent on the life and fate of an individual, for example – nor does it cause a major interruption in the management of the business. The succession of individual Partners is institutionalised and regulated as a foreseeable aspect of the team’s life cycle. Moreover, this succession can take place within a narrower time frame than is the case for family companies, which see the baton passed on to the next generation of descendants every 25 to 40 years. The Partners themselves ensure that they are regularly joined by new members who bring a young and modern perspective.

Once they leave the Group, the Partners have no further claims on the business (although the custom is that they remain available to offer advice to their successors, and they may continue to look after selected clients)². They keep only the assets they have generated for themselves in the course of their career and are bought out at book value by the new Partners, with the payment being made in stages. Each new Partner receives a form of

² Furthermore, former Partners hold management positions in the recently created Pictet Group Foundation, which supports causes relevant to the future of society.



From left to right:
François Pictet, Elif Aktuğ, Raymond Sagayam, Sébastien Eisinger, Marc Pictet (Senior Partner), Sven Holstenson and Laurent Ramsey

loan from the others, which they pay back over several years from their share in the profits. This means that, in terms of their capital assets tied up in the company, all Partners are on an equal footing until they leave the company. Thus, although being an owner in the company is a career-long status, it is a temporary position that is associated with the individuals and their management function, not their family, and cannot be passed on to their children.

JOINT DECISIONS

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 quickly and informally as necessary³. 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 latterly come to be regarded as indispensable for the proper functioning of self-organised teams, 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 unanimously nominated by the existing Partners. And as they know they are likely to 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 degree of expertise. According to Jacques de Saussure, a former Senior Partner, “A new Partner must be somebody you would also like to go out for a meal with.”

³ Since the change in legal form (see below), the Salon has been required to keep records of all its decisions.

A FABRICATED “NUCLEAR FAMILY”

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 professional development can be observed and evaluated over a period of years. When a successor is needed, the most able can then be selected, and it is also possible to choose people with a different skills profile whenever markets, technology and clients place additional demands on senior management. The sequence of the generations is conceived as a “transmission without DNA” according to 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 and adapt 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 hoped for and expected in “nuclear family” models. At the same time, the Pictet model is not as open and unconstrained as the usual succession process for boards or teams of directors.

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. While chance alone determines who is born into an entrepreneurial family, membership in the Partners’ Committee can be restricted to those with whom the Partners actually work well and, more 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 – and if it should subsequently prove that a particular person, contrary to expectations, does not play a satisfactory part in the Partners’ Committee, it is easier to make a change than it would be in a “family only” entrepreneurial family, in which such a change can often cause long-lasting friction between close relatives.

Other aspects of a family arrangement do nevertheless surface in the group of Partners. The most significant point in this respect is the principle of equality. Each Partner has one vote. There are none of the formal hierarchical distinctions 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 they act as a spokesperson to the outside world and as an arbiter within the Partners’ Committee.



THE ROLE OF THE SENIOR PARTNER

Nicolas Pictet, who was Senior Partner from 2016 to 2019, 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 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. 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



The Partners meet in this room every week to discuss current matters.

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, 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, although the fact that their name is synonymous with the company may result in a special role being ascribed to them by outsiders. 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 within the Partners' Committee. 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. "The decision we eventually take has had any rough edges smoothed out during the process," says former Partner 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 go on too long before agreement is reached, and to lead to rather risk-averse decisions. All the Partners are conscious of the need to make decisions for the good of the business as a whole, with the general agreement being: "The right of veto should be used only sparingly." Overall, Pictet's management sees this consensus-oriented management style as an advantage, in that it allows 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 predetermined majority vote against the wishes of the minority.

A BUSINESS MODEL THAT SPRINGS FROM CALVINISM

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 hard work. These underpin the entrepreneurial spirit of Pictet. An unwritten but unanimous objective among the Partners is to constantly improve the bank 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

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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.

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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." As shown below, the system has indeed been adapted.

THE MODEL IS DEVELOPED FURTHER: A CHANGE OF LEGAL FORM AND ADDITIONAL EQUITY OWNERS

Two major changes have taken place since the first edition of our book was published in 2005. For one thing – and this was undoubtedly a much more important step than can be fully covered here – 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.

Furthermore, it was 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 liability of the individual Partners is changing. 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's 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-run business. 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.

The second major change was that for the first time, in 2006, Pictet gave a select circle of top senior executives the opportunity to participate with a small share in the business. This step should primarily be seen in the context of the huge growth achieved in the last two decades. While Pictet had 300 employees in 1980, it now employs around 5,500 in 31 locations worldwide. The management tasks involved could no longer reasonably be undertaken by a limited circle of owners, not least because the Partners are

responsible for looking after selected client groups in addition to their management duties. Known as “Equity Partners”, they are unanimously selected by the Partners once they have proved themselves within the company. They thus relieve the Partners’ Committee of certain management tasks, both internal and external, and provide additional international expertise and perspectives. This development can also be observed at an individual level in many other businesses, including Oetker, Merck and Freudenberg. Family companies offer their senior executives 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 equity owners. Pictet, however, has gone a step further. A second circle of partners has in a way been created. They regularly have meetings with the “first” circle of Partners and, in particular, help determine the strategic guidelines.

The metaphor of “squaring the circle” can also be applied to recent changes. In the running of family businesses that reserve ownership solely for the descendants of the founder, there tends to be a dividing line between management who are family members and those who joined as employees. It is also evidently very difficult to recruit, and above all to retain, dedicated senior executives from outside the family. Lastly, the top roles, like the opportunities to participate in the firm’s increase in value, are reserved for a restricted circle of family members. Pictet has found a way of maintaining high-quality, rapid decision-making in the Partners’ Committee while also involving other key personnel, to the benefit of all participants.

This expansion of executive roles has recently been complemented by the creation of a Group Executive Committee, in which the Partners collaborate with the heads of central business functions such as Finance, Risk, HR, Technology and Communications. It is evident that the company is striving to adapt a functioning model to changing regulatory requirements and to the challenges of digitalisation in an organic way. Pictet, like many family businesses, is faced with the question of how to demonstrate a credible commitment to sustainability and social responsibility while avoiding greenwashing. In order to emphasise this, the Pictet Group’s charitable foundation – the Pictet Group Foundation, which receives a significant portion of the Group’s profit each year – focuses principally on the themes of water and nutrition, thus drawing on relevant investment expertise and specialist knowledge. Again, both former and current Partners are active in the Foundation, which thus benefits from intergenerational perspectives.

SUMMARY

This extraordinary example of a family-run business that is not actually run by the family itself is based more on the bank's 220 years of 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”. Over 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 resulting model is one which almost perfectly resolves the paradox that arises from the different rules of play associated with a family and a business organisation, with their often contradictory demands.

In the interactions between the Managing Partners, the cooperation with the Equity Partners and the links with committees, the most efficient aspects of family structures are combined with the most efficient aspects of business structures, thereby optimising the risks and opportunities of both types of social system. Unlike the “Extended Family as an Organisation” model, the interface between the Pictet family 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 owners who cooperate in the same way as a family in the Partners' Committee.

The Pictet Group cannot be definitively classified in our spectrum of nuclear-to-extended family models, as the company “goes off at a tangent” in combining aspects of both the extended and nuclear 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 way to constantly renew its ideal nuclear family of owner managers – except that this “family” is not in fact a family at all.

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