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## "We are a 214-year-old start-up"

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Rémy Best is a partner of Geneva private bank Pictet.

In this interview, Rémy Best explains the tasks that the bank faces in its global business with an exclusive circle of clients

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### Editorial

**MANAGEMENT STYLE:** The story goes that professors at Witten/Herdecke University wanted to publish a book about family businesses. It's said that the entire text was essentially ready – but shortly before the cut-off date the writers accidentally stumbled across the partnership model of Swiss bank Pictet. Since this did not quite fit any of the academic models, a case study of its special characteristics was quickly undertaken. "In the Partners' Committee, highly functional aspects of structures and types of communication typical of families are combined with highly functional aspects of communication types and structures typical of organisations, with the result that the risks and opportunities of both types of social system appear to be optimised," was the rather clumsily expressed verdict. All down the generations, the Pictet family has stamped its identity on the bank and supplied a steady stream of partners – all without dominating the bank or its management body. The partners are

a small family of owners but they do not actually constitute a family in the literal sense. This system has now been working splendidly for 214 years. In the interview starting on page 20, partner Rémy Best explains how this affects the company culture and hence the wealth management clients of the Pictet Group.



*Pictet partner Rémy Best (centre) in conversation with publisher Malte Dreher (left) and editor-in-chief Ansgar Neisius at Pictet in Geneva*



The Pictet model. A case study

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**Rémy Best** is one of seven partners of Swiss bank Pictet. He joined the group's management body in 2003. Since 2014 (and in conjunction with Boris Collardi since June 2018) he has been responsible for the bank's Wealth Management business.



## Interview

### “WE ARE A 214-YEAR-OLD START-UP”

*Swiss bank Pictet may have a long tradition but it is committed to innovation. It is not a corporate giant, but nor is it a family business.*

*An interview with partner Rémy Best about these apparent contradictions and why Pictet speaks to German entrepreneurial families on an equal footing*

*private banking magazin: The Pictet Group was founded in 1805. Is tradition still a decisive factor for its wealthy clientèle?*

**Rémy Best:** It's certainly not sufficient on its own. Stephen Schwarzmann, co-founder of Blackstone, once called Pictet a start-up that is more than 200 years old. And that corresponds quite well with how we perceive ourselves. We are now 214 years old, and the fact that the bank has been in existence for so long shows that history has been kind to us. In all these years we have never lost our focus on wealth management, and this makes us feel like a start-up because we are constantly reinventing the bank. Every day we work on ways to look after our clients even better, whether by identifying new investment trends or by developing our services further.

*Which is more important for wealth management: tradition or innovation?*

**Best:** My father always said that nothing beats experience. And I think that is particularly applicable to wealth management. A former partner of Pictet had an old-fashioned desk in his office – an attractive piece of furniture, but not very practical. When I asked him why he didn't change it, he said that the old desk had been through so many difficult times, capital market crises, wars and upheaval, yet it was still here. He explained that the desk reminded him that it is a crucial part of our job to advise people and manage their assets even in difficult times. After all, that is the good news as regards history: if another crisis affects our lives, it won't be for the first time. But we will know how to deal with it in the best possible way. Thanks to our experience.

*And what about innovation?*

**Best:** Simply looking to the past is clearly not enough. We need to look ahead. However, we have to consider which innovations to introduce at the bank in order to give the clients good, up-to-date advice. For example, nowadays our clients require advice regarding their philanthropic commitments. In the first instance we need to help the family members work out their position and clarify what sort of commitment is in line with their family values. Other topics need to be considered as well, such as how the commitment can also

have a positive effect on family solidarity. These are comparatively new topics, and wealthy people can rarely find experienced sparring partners to help explore them. We also need to be innovative as far as investment is concerned.

*Are you referring to the theme funds from Pictet Asset Management?*

**Best:** Those too, of course. Global development is being substantially determined by a few megatrends. By recognising these at an early stage and making it possible to invest in them, we are regarded as a pioneer and market leader in this field. The same is true of alternative investments such as private equity. As far back as 25 years ago we were advising our clients about this and we were one of the first to invest with some of today's major players, such as Carlyle, Blackstone and BC Partners. And even today, that still helps us access top addresses like those. In total, our clients have invested over 11 billion euros in private equity.

*Does access to a very wealthy clientèle have an impact on your own organisation?*

**Best:** In two centuries, our bank has been able to build up a huge network. Of the 200 billion or so Swiss francs looked after by our Wealth Management service, more than two-thirds of client deposits are above 20 million and a significant proportion are above 100 million Swiss francs.



These assets are often from families with an entrepreneurial background. Acting as their sparring partner helps us enormously by providing us with ideas about the structural changes occurring in the world and how we can further develop the range of services we offer.

*What do wealthy clients expect from their wealth manager these days?*

**Best:** Certainly they expect a tailored, high-quality service that focuses on wealth. Actually investing the assets is only one aspect here. Much more is involved when you take everything into consideration. Here we are talking about the three areas of family governance, operational governance and investment governance. In the first instance, it's a question of setting things up for the family, then consolidating and supervising the assets, and finally multiplying them. Naturally, people also want the latter, there's no question about that. But if the first two stages have not been established correctly, multiplying the family's assets will not work. The client can of course ask for our help in just one of these areas, or we can look after all three. Besides, clients can detect whether a service provider is independent and free from conflicts of interest. That is a good match with our Pictet model, through which we gain clients' trust by offering a long-term orientation, through our own structure and governance and

our sole focus on wealth management.

*Why is the topic of family governance so important?*

**Best:** Because it is generally all about setting the main direction for the family and its assets. If, for example, there is a family charter, this may specify certain rules on how the family members live together in relation to assets and family values, and may establish clarity on how they interact. It can involve the whole family in all questions regarding capital preservation and should include mechanisms to prevent individual family members from damaging the assets or the family business. Another example is succession planning – a huge topic for entrepreneurial families. Here, families should clarify at an early stage who will inherit what and how that will happen in practice. Under no circumstances should it be left to chance. There are enough wealthy families in Europe and elsewhere who have disastrously failed to complete this step, with the result that their family wealth has shrunk significantly or even disappeared altogether.

*Trust in banks has been eroded since the financial crisis. Yet topics like family governance presuppose that families trust their bank. Do you find that people have reservations in this respect?*

**Best:** In the vast majority of cases, the discussions are hugely

positive and frank. We often hear people say they have never had the opportunity to discuss these questions with an equal partner. The fact that we ourselves are entrepreneurs particularly helps in this case.

*What does operational governance provide?*

**Best:** It is all about how the assets should be structured and organised. For example, a Luxembourg structure can be used to create a type of family fund which then invests in the various asset classes, such as equities, bonds, hedge funds and commodities, using sub-funds. The various family members can then bring their individual strategies together without the need to keep setting up new structures. In other cases it may be a question of whether the family wants to have direct access to the stock market. Operational governance also clarifies in principle how the assets are to be consolidated and continuously monitored. Only then is there a starting point for making future investment decisions sensibly.

*What's your next step in Germany?*

**Best:** We are very confident about how the business is developing in Germany, and we are continuing to expand there. Our corporate culture is also a good fit with the mindset of our German clients. We like it when things are carefully considered and implemented in a trustworthy and targeted manner. The

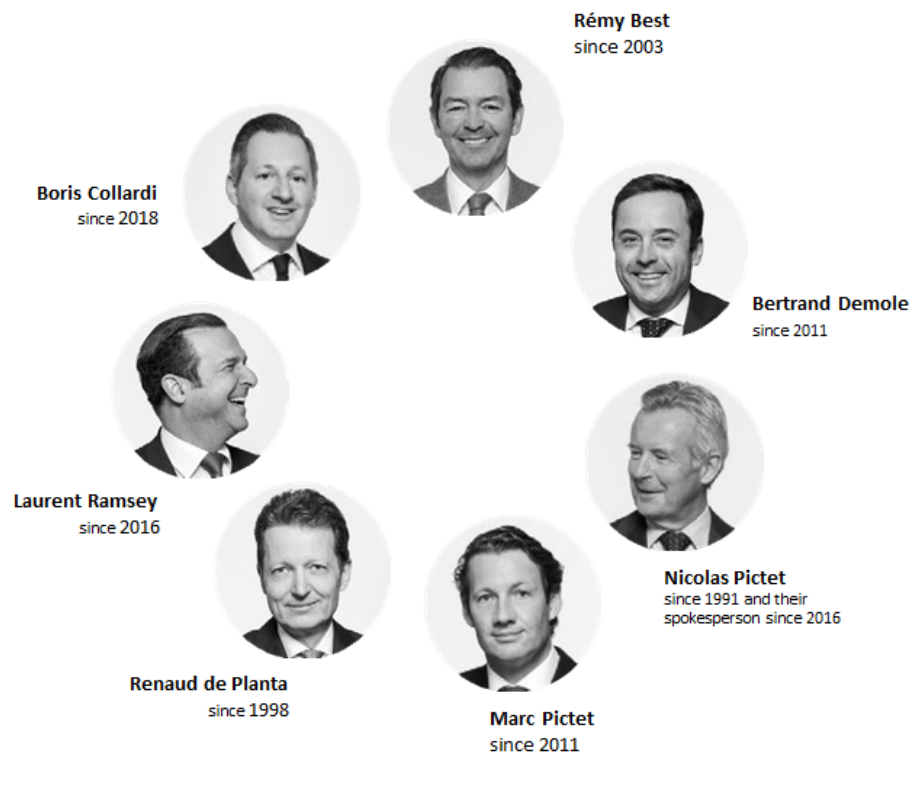
Wealth Management service has a great future. More and more people will have questions about the management of their assets, because the number of products is rising and the theme of wealth is becoming increasingly complex as regulatory requirements proliferate. People are going to need advice. And if they need advice, they must have trust. And if they want to have trust, they need a bank that puts their requirements first. And we believe we are in an excellent position to do just that.

*Mr Best, you have been a Pictet partner since 2003. The Pictet partnership model is certainly different. There are a number of partners who buy themselves into the bank for a fairly long period. They are not all necessarily members of the Pictet family. What do the clients get out of this?*

**Best:** We are not a family firm in the usual sense. However, we are a privately owned bank that is run in line with family values. We generally have six to nine partners. At present we have seven, since Boris Collardi joined us. Each partner buys an equal share at book value and leaves the business at the end of their partnership period, again at book value. In contrast to companies listed on the stock exchange, maximising the Group's value in the short term is therefore not the partners' goal. Ultimately, success is down to our long-term approach and strong client focus. That is

### Something unique: The Pictet model

The Pictet partnership model combines family and business principles. The Swiss partners are not a classic family business, but they stand for family values. The partners usually buy themselves in for 20 years and have a financial interest in the long-term success of the bank. There are seven partners at present



at any rate how we perceive ourselves.

*Is there a hierarchy among the seven partners?*

**Best:** No, each partner has exactly one vote. And since we have to work together for a very long time – each partner stays for a little over 20 years on average – we attach enormous importance to selecting people with whom we will be able to work over the next two decades. At present, the youngest partner is 44 and the oldest 62. That is a good age structure, and we tend to accept one or two new partners every

ten years. This ensures good succession planning at partner level. These features all result in long-term, sustainable company management. Just compare our model with other business sectors. In the world of listed companies, a board spokesperson serves for four-and-a-half years on average – a term of office that is tending to become shorter, especially in the USA.

*At the same time, the Pictet Group is hardly a small organisation with its 4,500 employees. Are there participation programmes for the second level of management?*

Best: More than ten years ago we introduced a participation programme for the senior management level, to enable deserving employees to own shares in the Pictet Group, too. We currently have about 40 of these so-called equity partners, who do not, however, necessarily represent the second level of management. Rather, they are employees who are largely responsible for developing a market, for example, or who have implemented a new asset class, demonstrated excellent investment or client skills, or set particularly high standards operationally. In short, they drive our Group forward. But we also measure this added value and want to see significant results. Entrepreneurial thinking among the employees is deliberately nurtured and demanded. And apart from the equity partners, the majority of our employees participate directly in the success of the business by means of a variable salary component. In fact this programme has been in existence for nearly 100 years. It produces a very entrepreneurial company culture overall. And it means that the people our clients meet at Pictet are particularly motivated.

Malte Dreher and Ansgar Neisius conducted the interview.