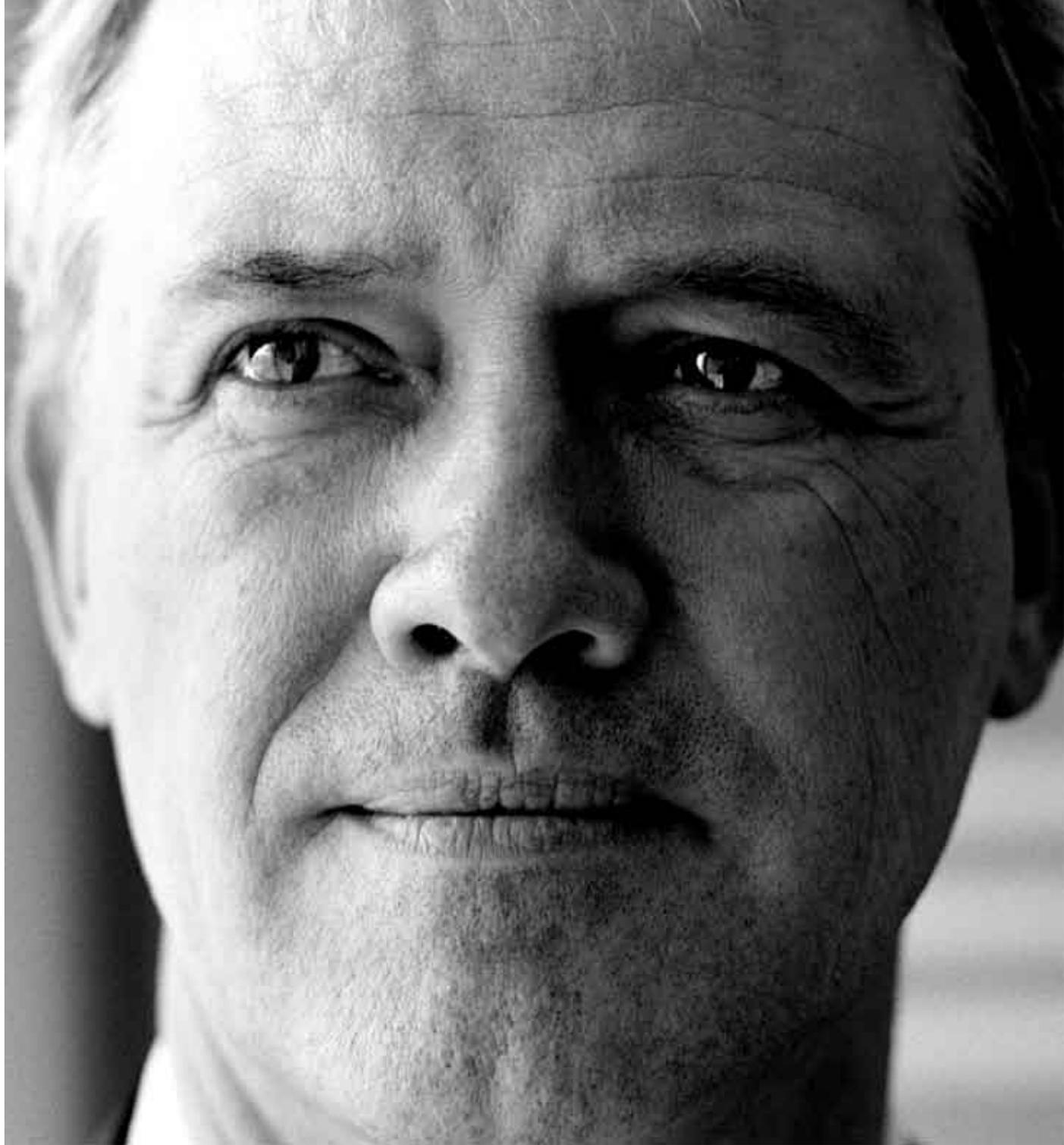


‘There’s a lot of truth in  
those old standards and values’

*Peter Wennink*



---

Peter Wennink, CFO of AMSL, comes from a large Catholic family – he’s one of six children. ‘I still have a strong feeling of responsibility towards others. You’re not here only for yourself. It’s a question of being there for each other.’ That sounds like a good, ethical principle, but it also has a practical side. Solidarity and trust are fundamental to an industry that, in order to survive, ‘has had to cut costs per product by half every two years’. The only chance of success is if everyone practises openness and transparency. ‘We all need to put our cards on the table.’ In a nutshell, only the naked truth makes it possible to operate successfully at the cutting edge.

---

‘That’s surely the epitome of integrity: that, when someone promises to keep a secret or not do something, you can trust them to keep their word’

A company that started out 25 years ago, as CFO Peter Wennink puts it, ‘as a bunch of amateurs meeting in a garden shed’, has grown to be the biggest player in the field of lithography in the world, with a turnover of billions. ASML in Veldhoven produces equipment that uses lithography to ‘burn’ semiconductors onto silicon discs. The narrower the lines of semiconductor you can get on a chip, the faster the chip will work, and the smaller it will be. Peter Wennink describes his company as a ‘Moore’s law company’. Gordon Moore, one of the founders of the computer chip maker Intel, predicted in the 1960s that the capacity of memory and processor chips would double every two years. ‘That means you need to halve the costs per job every two years. If you want to make something cheaper, then it has to be smaller. And you can only do that by reducing the size of the transistors you put on your chip. That’s the essence of this company.’

#### **Dealing with intense pressure**

This economy drive, which underlies the whole \$300 billion computer chip industry, has its consequences. ‘In order to survive, a company like ASML has to be super-innovative and stay ahead of the crowd,’ explains

Wennink. ‘It all depends on the next technological advance. And while we can’t know beforehand what it will be, we have to steer towards it with as much confidence and precision as we can.’ He acknowledges that this brings with it a great deal of uncertainty. ‘The consequences of going for the wrong innovation would be disastrous. What would happen if we turned out to have bet on the wrong horse? What would happen if we missed a deadline? We need to watch such points continuously and with great care. This puts intense pressure on both internal and external relations. After all, it’s vital that your customer gets the technology at the right time – whether that’s two, four or six years ahead. You know that your customer has committed himself to your technology. Failure is simply not an option.’

#### **Gut feeling**

ASML has various techniques for dealing with the pressure that comes from always operating at the cutting edge. ‘First, the authenticity, or dependability, of our management is hugely important. Our customers and our value chain need to feel it, and know that they can rely on us. You can only demonstrate this successfully by staying true to yourself. Then you can develop a gut

feeling for communicating down the line in both good times and in bad. “Telling it like it is” in this way is a risk that we consciously choose to take. It may include giving detailed and sensitive information to a customer. That’s surely the epitome of integrity: that, when someone promises to keep a secret or not do something, you can trust them to keep their word. That never ceases to amaze me. As a result, the relationship among the various partners in the value chain is one that is almost personal, based on trust and honesty – call it integrity.’

### **Making yourself vulnerable**

CFO Peter Wennink originally trained as a chartered accountant. ‘It’s a profession which, both in training and subsequent practice, places a great emphasis on integrity,’ he says. You pick it up during your training and it becomes a part of you, so to speak. We have a lot of chartered accountants in our finance department and they also demonstrate that quality. As an accountant, you’re taught to “do things by the book”. There’s a significant element of integrity in that.’ The most important thing Wennink learned when he was still sitting on the other side of the table is that when you begin to believe in your dreams, you still have to keep

---

**‘I’m not the one who creates value in this company; it’s the whole workforce – providing they’re all working towards the same goals’**

your feet on the ground, stay in touch with reality.

‘There’s a temptation to add a bit of colour to the story you tell the outside world – to get things moving and to steer them. But I’ve seen it go wrong. In the end, honesty is always the best policy. You have to be firm: if it’s not all right, don’t pretend it is!’ In that sense, says Wennink, he doesn’t mind making himself vulnerable, because he doesn’t claim to have all the answers. ‘It’s true, we have something of a macho culture here, with all the associated pride and toughness, but we’re also open, and there’s a certain vulnerability. We mustn’t lose that. If you’re named CFO of the year for five years running, then you’d better watch out. You might start believing you’re good, and that’s dangerous.’

---

## “The naked truth” – that’s in our corporate culture’

### **Brought up as a good Roman Catholic**

Another crucial piece of the Wennink jigsaw is that he was brought up with certain moral values. ‘Integrity is part of my personality. I come from a big family with six children. And as part of my upbringing as a “good Roman Catholic”, my parents taught me standards and values that focus on the needs of others. I still feel a sense of responsibility for my brothers and sisters, and indeed my whole family. You’re not just here for yourself, but for others, too. It’s about being there for each other. At ASML, this is a commitment that’s expressed in the way we gain knowledge and deal with it. ASML is like a spider in the web of a collaborative “corporate knowledge network”. Although ASML is the architect of the system, the knowledge lies in the chain itself.’

### **Rhineland model**

No wonder Wennink feels more at home in the Rhineland economic model than in the Anglo-Saxon one. ‘I suppose, in that sense, I’m a bit old-fashioned. Why does the Rhineland model appeal to me? Because I come from a background where everyone is equal and you look out for each other. That’s how I view the Rhineland model. A leadership style that’s too autocratic will always lead to accidents. If you don’t nurture the integrity of your people, then your own integrity will suffer. I’m not the one who creates value in this company; it’s the whole workforce – providing they’re all working towards the same goals. So despite all the pressure we’re under, I

sleep well – because shared worries are worries halved. There’s a lot of truth in these old norms and values.’

### **The naked truth**

Ultimately, says Wennink, internal efficiency and productivity at ASML depend on creating openness and transparency. That’s why, he says, he feels enormously supported by his colleagues. ‘We share everything here – we keep nothing secret. That’s the only way to prevent the pressure of our business process from destroying the internal relationships. The drive for truth and transparency in this company is extremely intense. If there’s a problem, then we need to know about it straight away. If it looks as if we’re heading off course, for example, we need to ask ourselves, “What can we do about it?” And this question will be asked at every level of the company. The technical staff understand what the other players in the organisation are going up against. ASML is a matrix organisation; that’s to say, three-dimensional. The top 150 people in this company know everything about each other and no one is punished if anything goes wrong – although when we’re discussing problems we can be as hard as nails. But these meetings are about the problem or issue at hand, and never about individuals. “The naked truth” – that’s in our corporate culture. It’s how people are here. While it can’t ensure you can solve everything, it’s certainly an absolute prerequisite for the technological and creative efforts that we constantly have to deliver. And it’s an absolute precondition for survival in our world.’

### **Transparency towards the customer**

‘As well as being transparent internally, you have an obligation to be absolutely open towards customers





about where you stand as a company,' says Wennink. 'That transparency, that honesty, must also come through in communication; that's absolutely vital, especially in the highly pressurised world in which we're developing the latest technologies for the IT industry. But it's very definitely a question of all the players involved working together to form a coherent whole. Of course, all parties have their own particular interest. We, for our part, naturally try to optimise our profits. But our margins have to be in proportion. We'll be in real trouble if a customer notices that the prices of different manufacturers are very far apart. After all, our customers are all looking at the same industry. If you don't keep prices in proportion, then you will eventually end up short-changing one or giving another more than they deserve. The technology we produce has a certain value. For Customer 1 that may be value x, and for Customer 2, value y, but those values must not be too far apart. Don't forget that two customers may start working together and then perhaps think, "I've been swindled for the past 10 years". So it remains a question of balance and of weighing your words. You shouldn't be too transparent towards customers: there are certain things you shouldn't tell a customer, things the customer doesn't need to know. On the other hand, you need to ask yourself what extra information a customer needs in order to make a good decision. Finding this balance is something you have to learn.'

### Weighing your words

Does this mean that you should even keep information from shareholders? 'Yes. You can't tell shareholders everything. Or if you do, you have to be very careful to say it to everyone at the same time. You have to make

sure you say exactly the same thing to everyone – it's actually a legal requirement. Of course, there are also things that I don't know either, and I always try to avoid speculating. Everything I say has to be weighed very carefully. I try to manage that properly. That means "Stick to the facts". If someone asks me to interpret the facts in the context of the current situation, I can give them an interpretation. But if they ask me to look ahead and make some projections about the future, I'd be straying into the area of guess-work and speculation. That's when you have to be very, very careful. For example, although I could discuss future trends with the company's Works Council, I would be very wary of extrapolating my ideas to shareholders. You even have to be careful when thinking out loud. I've learned my lesson. You can't be too careful when it comes to communication.'

---

## 'I always try to avoid speculating'

### Disclosure Committee

ASML has set up a Disclosure Committee to manage what and how ASML communicates with the market. 'When I was new here, the way we looked at an issue determined how we communicated about it outside the company: it was very intuitive. But that approach can turn round and bite you, if you're not careful. Now we discuss communication together, and only release information once we're all agreed on how to do it. I may argue for one particular approach, but if the Disclosure Committee thinks it could cause problems, then we have to bring it out into the open and discuss

---

## ‘In communicating, we follow a particular structure – that makes it easier for us to decide on appropriate action’

it. This openness, this transparency and the ability to challenge each other in this way is well embedded in this company.’ The Disclosure Committee not only ensures uniform communication, but it also makes sure that the company does not reveal too much. And that’s necessary, as Wennink has noticed. ‘In communicating, we now follow a particular structure. That makes it easier for us to decide on appropriate action: to say something, or to keep quiet. You can actually be too transparent. Transparency has its downside: information can reach places where it doesn’t belong. For example, we’re very transparent with our customers. But five years ago, following that principle cost us tens of millions of euros in lawyers’ fees and agreement costs, when a PowerPoint presentation of one of our new technologies that we’d shown to a customer ended up in the hands of our competitors.’

### Code of conduct as reference

Although transparency rests primarily on trust, ASML has also drawn up a code of conduct. ‘We’ve done it because we’re a public company and we have to be able to give an open account of ourselves,’ says Wennink. ‘The code is based on transparency, openness, honesty and authenticity. It has more to do with behaviour and setting an example than with learning rules by heart. We don’t believe in forcing people to only follow a course on

the code of conduct. Above all, it’s a question of being able to call each other to account about those things we believe are important in this company. Basically, the code says, “Transparency – openness, honesty and authenticity – should be your culture, and that code of conduct is then your reference point.”

### Don’t cut R&D spending

By putting the emphasis on honest communication, ASML maintains good relationships with its shareholders. That is due, says Wennink, to the fact that shareholders understand that their interests and those of ASML coincide. ‘If you do things well, then the shareholder benefits from it. At the end of 2008, we had a market share of close to 70%. That isn’t because we focus only on maximising shareholder value: we maximise that value if we run the company well. Naturally, we listen to our shareholders; they own the company. But most large shareholders, the long-term investors that I speak to, are completely behind us. They even say, “Whatever you do, don’t cut R&D spending!” Even now, they still say that. Why? Because they realise that our investment in innovation is the motor that ultimately creates the value that will secure the company’s long-term future. In that way, I, as an individual, can have an effect on the company. You are, after all, as you are.’

*Peter Wennink is Executive Vice President and CFO of ASML. He is also on the Supervisory Board of Bank Insinger de Beaufort, on the Advisory Board of Euronext and a member of the State Committee for Export, Import and Investment Guarantees. Before joining ASML, Peter Wennink was a partner at Deloitte, specialising in the high-tech industry.*

