

Constant Reinvention

An Interview with Farooq Kathwari, Chairman, President and Chief Executive Officer, Ethan Allen Interiors Inc.

EDITORS' NOTE Farooq Kathwari has been Chairman and CEO since 1988. He serves in numerous capacities at several nonprofit organizations including as a member of the Board of Overseers of the International Rescue Committee; a member of the advisory board of the Center for Strategic and International Studies; a member of the Council on Foreign Relations; Chairman Emeritus of Refugees International; an advisory member of the New York Stock Exchange; former Chairman of the National Retail Federation; former Chairman and President of the American Home Furnishings Alliance; a director of the Institute for the Study of Diplomacy at Georgetown University; Co-Chairman of the Muslim-Jewish Advisory Council; and a member of the International Advisory Council of the United States Institute of Peace. He served as a member of the President's Advisory Commission on Asian Americans and Pacific Islanders from 2010 to 2014. Kathwari was tapped to join the congressionally mandated United States Institute of Peace bipartisan Task Force on Extremism in Fragile States co-chaired by Governor Tom Kean and Congressman Lee Hamilton, who formerly led the 9/11 Commission.



Farooq Kathwari

free interior design service to its clients through the efforts of approximately 1,500 in-house interior designers and sells a full range of furniture products and decorative accessories through its website and a network of approximately 300 Design Centers in the United States and abroad. Ethan Allen owns and operates nine manufacturing facilities including six manufacturing plants in the United States, two manufacturing plants in Mexico and one manufacturing plant in Honduras. Approximately 75 percent of its products are made in its North American plants.

Ethan Allen's culture is built on a clear set of leadership principles. Will you provide an overview of these principles and how critical they are to the strength and success of Ethan Allen?

The Leadership Principles have been our way of setting the tone of our culture, for both our leadership team and our associates. I believe it's important to have a set of core values that define who you want to be and how you commit to treating others. One of the most important things to be in 21st-century business is agile, so we devote three of our principles to that concept. The principle of Excellence + Innovation – strive

for the highest quality and embrace the entrepreneurial spirit – is supported by the principles of Change and Speed: Embrace change, and do not be afraid of it; also react quickly at pivotal moments.

Then, although it may seem counterintuitive, the key to responding well in a rapidly changing business environment is to stay true to that which is enduring. The principles of Leadership, Hard Work, Priorities, and Justice call us to set an example for others, to be known for our work ethic, to discern between what's important and what isn't, and to make fair and thoughtful decisions.

Finally, when we are grounded in what is right, we can turn our attention to how we treat others. This is where the principles of Accessibility, Confidence, and Client Focus come into play. Be supportive of others, recognize their contributions, and make client satisfaction the highest priority.

As Ethan Allen has grown in size and scale, how important has it been to maintain these leadership principles at the forefront of the company?

Being agile, knowing who we are, and treating others fairly helps us to live in a state of constant reinvention. When I became President, Chairman and CEO of Ethan Allen in the 1980s, we committed to repositioning and building our retail network, expanding around the globe, and establishing a strong digital presence. Those challenges are still in front of us in 2021, although we've made a lot of progress and look quite different from where we were all those years ago. At the same time, the core values of Ethan Allen remain the same, including our focus on North American manufacturing - 75 percent of our products are made in our North American workshops.

One of the things we hear from our associates most often is, "I work for Ethan Allen because the company's values are the same as my values." Our values naturally attract people who are in sync with our Leadership Principles, and when you have the right people in place, no matter what short-term challenges you face, you will find yourself in good position for the long term.

What do you see as a company's responsibility to the communities it serves and will you highlight Ethan Allen's commitment to corporate responsibility and community engagement?

Among his recognitions, Kathwari is a recipient of the 2018 Ellis Island Medal of Honor and has been inducted into the American Furniture Hall of Fame. He has been recognized as an Outstanding American by Choice by the U.S. government. He has received the Yale School of Management's Chief Executive Leadership Institute Lifetime of Leadership Award; the National Human Relations Award from the American Jewish Committee; the National Retail Federation Gold Medal; and Ernst & Young's Entrepreneur Of The Year™ Award. He has also been recognized by Worth magazine as one of the 50 Best CEOs in the United States.

Kathwari holds BAs in English literature and political science from Kashmir University, Srinagar, and an MBA in international marketing from New York University. He is also the recipient of three honorary doctorate degrees.

COMPANY BRIEF Ethan Allen Interiors Inc. (ethanallen.com) is a leading interior design company and manufacturer and retailer of quality home furnishings. The company offers

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The foundation of corporate social responsibility is to put people first. It starts within our own walls. When our leaders treat our associates well, and we treat each other well, we are primed to make good decisions and to take measured risk in keeping with an entrepreneurial mindset. The entrepreneurial spirit that we bring to business flows naturally into our communities. You see how, although the pandemic has temporarily limited what we can do, our Design Centers take the initiative to do so much for local charitable organizations. Many of our sustainability initiatives are spearheaded in our own workshops, brought to the notice of company leaders, and then shared with others. It's been my experience that changes made from the ground up, rather than from the top down, are more effective and long lasting.

Of course, there are some areas in which we lead from the top, particularly when it comes to managing our worldwide supplier network. We created a Manufacturing Code of Conduct that make our values clear to any vendor that we work with: that we expect them to treat their workers fairly and to ensure good working conditions. Even though we set those expectations from the top, we depend on our merchants and product development team to provide hands-on assistance to our vendors. We don't just dictate our expectations; we help to educate our supplier network and give them the tools they need to improve their businesses.

In that way, even though we make 75 percent of our products in our own North American workshops, we are using our influence to champion exceptional product quality and good working conditions all over the world.

How has Ethan Allen adapted its business to address the challenges caused by the pandemic and how is the company supporting its people during this challenging and uncertain time?

Something I talk about all the time is the importance of combining technology with personal service, but even I couldn't have anticipated how that focus would prove indispensable in this unprecedented moment. All the work we've done to develop new design technology, from our EA inHome® app to our 3D Room Planner, made it easier for our designers to work with clients remotely, even when Design Centers were in lockdown or when traffic levels dropped because people were being cautious about going out.

As we've improved our digital experiences, we've stayed focused on connecting the online and the Design Center experiences. We expanded our Live Chat function last year so that clients doing research online could chat with one of our in-store designers when they needed ideas or had questions. We have deployed a lighter version of our designers' 3D Room Planner, and is now available online so our clients can use it.

We've also maintained most of our manufacturing in North America at a time when many companies have moved manufacturing to East Asia. This has helped us to keep better control over our supply chain, ensuring that we continue delivering the quality and service that our clients expect.

All of that to say, we did our best to support our people by ensuring they could continue to work during these challenging times. It's important to remember, however, that this time will not last forever; we will get through it and we look forward to once again, as I described before, being a visible contributor to our communities.

The world is facing major challenges, from a health crisis to issues of racial injustice to climate change. What do you see as the role that business can play in addressing these global challenges?

All over the world, democracy has been tested like never before as governments try to tackle the challenges of our time. In many cases, governments have been paralyzed by division, creating a vacuum that requires businesses and individuals to step in. The problem is that one person, or one business, can't create change at the scale that a government can. All we can do is establish the right climate within our walls, tell our clients what matters to us, try to influence other businesses positively, and win in the marketplace of ideas.

The fight against climate change is not new to us; it's something we've been working on for decades, and overall, we've cut our carbon footprint by one-third. Gender equality isn't new to us, either. Nearly half of our leaders throughout our manufacturing, our retail, and our headquarters are women. That's more than a lot of businesses, but we still have work to do, particularly when it comes to recruiting minority leaders and associates. We know that we have to lead by example.

People have a choice when they shop for furniture, and part of how we lead is to make their choice of Ethan Allen, a company that's committed to sustainability and to social responsibility, a choice that pays dividends to them. They can purchase "fast furniture" – it arrives quickly, but it's often of poor quality – or they can purchase furniture that's made sustainably but more importantly, made well, that will stay with them and their families for a long time to come.

How critical is it for Ethan Allen to build a diverse and inclusive workforce in order to bring diverse perspectives and experiences to the table when making business decisions?

I always say that America is a microcosm of the world. No other country brings together the perspectives of so many people from so many places. Like many, I am an American by choice, and when I took on the challenge of helping to transform a quintessential American company into a player on the global stage, the perspective that I brought with me from the mountains of Kashmir gave me unique insights that could only come from the time I spent in that part of the world. Being from that area helped me to forge partnerships that may have been more elusive otherwise. The benefit of diversity is the wisdom you achieve because you see issues from many perspectives.

I think also, whether you're assimilating into American culture from the outside, or you're part of a group that is underrepresented in leadership, you have to work even harder to be successful.

The harder you work, the more you achieve, and the more you inspire others to achieve along with you. As I mentioned earlier, we have benefited from having the perspectives of women in our leadership, and we are always working to add even more diverse voices to our Ethan Allen family.

When attracting talent for Ethan Allen, how important is the person's personality, attitude and cultural fit in the hiring process?

As I noted before, I hear over and over again that Ethan Allen associates are proud to work for a company that shares their values. When we recruit people in alignment with our Leadership Principles, we attract people who already, naturally, strive to live by our company values. Such an effort correlates with a certain temperament and attitude – qualities like flexibility and perseverance, for example – that make people the right cultural fit for our company.

At the same time, to your earlier point about diversity, we don't want things to be too homogeneous. New perspectives improve us. They keep us relevant, so we don't set out to bring in only a specific type of person. I always expect our leadership team and our associates to speak out and to ask questions, and their perspectives aren't always in agreement, but hearing multiple viewpoints around an issue leads to better understanding and keeps us relevant.

What do you see as the keys to effective leadership?

I am guided and inspired by the example of my late son, Irfan, whose last message to me was, "Unless we do what we can to help others, our lives are meaningless." Effective leadership requires investing in and bringing out the best in others. Those who are given the privilege of leadership must also accept the burden of making difficult decisions, especially when staying true to your values isn't the most popular choice. I mentioned earlier the importance of leading by example. I also believe that being a good leader means listening to different perspectives. At the same time, it's important to stay focused on shared objectives. Every week, when I talk to our leaders, we focus on five priorities – talent, service, marketing, technology, and social responsibility – which means that we are always working toward the same goals, even if we're using different methods because certain methods work best in a particular community.

What are your priorities for Ethan Allen as you navigate this unprecedented time?

I have always been a believer in long-term thinking and fiscal responsibility. We have to be focused on where we will be five, ten, twenty years from now, not just on short-term issues. Our focus will continue to be on cultivating strong leaders, being relevant with our offerings, maintaining a strong presence in North American manufacturing, investing in technology, and maintaining a strong focus on social responsibility.

My team and I are already thinking of what the world will look like after the pandemic and looking forward at how the world will evolve throughout this decade. By then, Ethan Allen will be a century old, but our best days will still be ahead of us. ●