

An Entrepreneurial Spirit

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 the Board of Overseers of the International Rescue Committee; the advisory board of the Center for Strategic and International Studies; and the Council on Foreign Relations. He is Chairman Emeritus of Refugees International; an advisory member of the New York Stock Exchange; former Chairman of the National Retail Federation; Director Emeritus and 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 and 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. 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.



Farooq Kathwari

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 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.

Will you highlight Ethan Allen's history and heritage and what have been the keys to the company's consistent leadership in the industry?

Ethan Allen got its start in 1932 in Vermont during the darkest days of the Great Depression. The fact that we found success despite facing great challenges – our ability to continuously reinvent – remains a major part of our cultural DNA. We also honor the spirit of our namesake, Ethan Allen, one of our country's Founding Fathers who was, throughout his life, a revolutionary activist and thinker. To be daring, to stand on firm principles, and to advocate for what is just – our dedication to these values is just as steadfast as our commitment to quality and craftsmanship.

"Ethan Allen" wasn't originally our company name; it was actually the name of our most popular line of early American-inspired furniture, which debuted at the Chicago Housewares Show in 1939. Our millionth piece of furniture was a chest produced for President Eisenhower that is kept at his home in Gettysburg, Pennsylvania, to this day. We've often had front-row seats to history: when the Israel-Jordan Peace Accords were signed in 1994, the signatories sat in our iconic Cristal chairs.

Yet, throughout our history, we've always looked to the future; for example, in the 1960s, we invented the idea of the furniture gallery showroom, and we pioneered complimentary

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The exterior of Ethan Allen's Design Center in Alpharetta, Georgia

interior design service. This orientation toward the future is part of who we are, and it manifests today in our investments in 3D design technology and our industry leadership in sustainable manufacturing.

As we've grown from manufacturer to retailer to interior design destination, we've retained a vertically integrated structure that empowers us to manage our experience from design to delivery. At a time when other businesses are moving overseas, we've maintained our commitment to manufacturing about 75 percent of our furniture in our own North American workshops. Our commitment to North American manufacturing is the reason that the name Ethan Allen is synonymous with "quality," and it's also the reason that during a time when all furniture makers are experiencing supplier challenges, we've been able to stay competitive in terms of lead times.

How do you describe Ethan Allen's culture and what have been the keys to maintaining culture as the company has grown in size and scale?

Again, if I had to choose a term to define Ethan Allen's culture, it would be "continuous

reinvention," and at the heart of that mindset lies an entrepreneurial spirit. We've always challenged ourselves to stay lean and to respond quickly both to world events and to the competitive landscape, but we also take the initiative to disrupt ourselves so that our thinking doesn't get reactive and stale.

It's said that challenges don't change who you are; they reveal who you are, and that was certainly true for us during the COVID-19 pandemic. We were able to pivot and adapt because of our investments in technology and our strong balance sheet, but the true bedrock of our flexibility has been the entrepreneurial spirit of our people. We have proven that we can serve our clients under any set of circumstances because we combine personal service and technology to collaborate from anywhere – in the Design Center, in clients' homes, and via online appointment – powered by the initiative and entrepreneurial mindset of our designers.

By nature, entrepreneurs are hands-on. They take an on-the-ground interest in their product from design to delivery because they feel such a sense of ownership. That sense of ownership is one of the reasons we continue manufacturing so many of our products ourselves.

When we mill and dry our own lumber, apply our own finishes by hand, and tailor upholstery by hand, we own quality at every step. Circumstances continuously change, but we maintain our entrepreneurial thinking. If we're able to reinvent where needed, we can handle whatever comes our way.

Ethan Allen has a clearly defined set of leadership principles. Will you discuss these principles and how they are ingrained in Ethan Allen's purpose and values?

I believe it's important to have a set of core Leadership Principles that define who you wish to be and how you want to treat others. They're the standards to which I hold myself, and the standards I challenge others to meet, from our leaders to our associates at all levels. In 21st-century business, agility is crucial, but it's only possible when you can tell the difference between what needs to change and what should remain the same. Our Leadership Principles of Excellence + Innovation, Change, and Speed ensure that we remain always ready for change. Our 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. These form the bedrock of who we want to be, and they will never change.

The principles of Accessibility, Confidence, and Client Focus come into play as we turn from who we want to be and begin to consider how we treat others. They are the foundations of a culture of dignity and respect, something that we believe every Ethan Allen associate should be part of no matter where they live in the world. We treat each other with dignity and respect by being supportive and recognizing each others' contributions; we ensure extraordinary treatment for our clients, in line with our commitment to personal service, by making client happiness our highest priority. So many people choose to work for Ethan Allen because we are a company that stands for their values, so living out those commitments every day as part of our company's culture is natural for us.

Will you highlight Ethan Allen's commitment to innovation and where innovation is taking place in the company?

Innovation is change, so our philosophy of innovation is also built on discerning between what needs to change and what should always remain the same. I mentioned the craftsmanship in our workshops: we mill and/or

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kiln-dry our own wood, we sand and apply finishes by hand, we fit and glue joinery by hand, we tailor our upholstery and apply finishing touches, like nail-head trim, by hand – this commitment to artistry will never change. Technology in our manufacturing supports our commitment to handcrafted detail while enabling us to make production more efficient. We’ve made investments in advanced C&C machinery for fast cutting of certain components, like turned posts and pedestals, so we can continue our focus on the artistic elements that no machine can replicate.

We’ve also made significant investments in 3D design applications and in improving our network infrastructure to support them. The introduction of our 3D Room Planner in 2019 turned out to be a game changer in 2020 when our designers couldn’t meet with clients in our Design Centers or visit their homes. Our designers could still create designs to share with clients in incredible high-definition detail while sending things like fabric, leather, and finish samples via mail (or dropping them off to local clients while following all safety protocols). Our clients, who were spending so much more time at home and discovering that they wanted to address design projects that had been on the backburner, could still enjoy personal design service, could preview what they’d be receiving in advance, and could place their orders with confidence.

How critical is it for Ethan Allen to build a diverse and inclusive workforce and will you discuss the company’s efforts in this regard?

As a GSA contractor, Ethan Allen is an Equal Opportunity Employer, which means we’ve set clear standards in this area. Achieving true diversity requires more than just recognizing the “don’t’s;” we need to proactively “do.” One noteworthy thing about Ethan Allen is the representation of women within our leadership ranks which is quite favorable compared to companies in almost every industry. Seventy-two percent of the leaders in our retail network are women, and forty-seven percent of leaders at our corporate headquarters are women. To increase racial diversity, we’re taking a look at recruitment, which we’re addressing by providing training to our hiring managers to make sure that they have the tools they need. We focus on this issue because a greater diversity of viewpoints is the key to being resilient.

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What do you see as Ethan Allen’s responsibility to the communities it serves and to being a force for good in society?

Ethan Allen’s Design Centers and Service Centers help local communities in many ways. We hold events to support local not-for-profits, and some of our Service Center managers have good relationships with local chapters of Habitat for Humanity. Lately, in the vein of thinking about what it means to be a proud American brand, I have been focusing on the larger contribution that Ethan Allen makes by creating a culture of dignity and respect for all, setting an example that we hope other businesses will follow.

I always highlight our commitment to North American manufacturing – not just American, but North American – because I believe the skills and work ethic of the associates in our Mexico and Honduras plants contribute to our ability to continue investing in manufacturing in the United States. I chose, for example, to purchase our plant in Silao because I realized that the community of leather craftsmanship found there – people who have been dyeing and color-blending leather, and tailoring leather furniture for generations – simply could not be found anywhere else. Bringing our Silao associates into the Ethan Allen family has enabled us to grow this category while freeing up our North American workshops to do more of what they do best, which in turn helps them to thrive from a business perspective.

We also use our influence to elevate our vendors and their communities as much as we can, no matter where they are in the world. We have a strong social responsibility commitment through our Supply Chain and Manufacturing Codes of Conduct, which our vendors have to follow if they want to continue working with us. We work with our suppliers and educate them, making sure they know what they need to do to ensure safety and fair treatment for their workers. Our team also attends labor compliance seminars and meetings with people from all countries and industries where we contribute thought leadership based on our experience and learn from others.

What are the keys to New York’s recovery and rebuilding from the pandemic and how critical is a strong public/private partnership to New York’s future success?

New York City has certainly been hit harder by the pandemic than any other major city, with about twice the national unemployment rate and so many commercial property vacancies. Wall Street has been pushing hard to get workers vaccinated and back into their offices and reopening Broadway will hopefully boost tourism, but with the way work patterns changed during the pandemic, New York City may never go back to the way it was.

These changes have a trickle-down effect. Businesses save money on real estate and utilities when they let people work from home, but because they’re no longer using physical office space, the service that cleans the office loses a client, and its employees lose a paycheck. Local coffee shops and restaurants that used to serve those office workers lose a big portion of their customer base. I think it remains to be seen how much those small businesses can recover and that’s a significant concern.

We talk about how much automation has affected manufacturing jobs in New York and throughout the U.S., and service industries were already beginning to feel those same impacts. These changes in work patterns are only going to accelerate those losses and we need city government and government at all levels to look ahead and think about how we will address that.

As far as public/private partnership, ideally private entities like Ethan Allen have more flexibility to experiment and innovate, while public entities have the reach, communications, and logistics networks necessary to scale private innovations for the greater social good. The agility of a private entity combats the sometimes slow movement of government bureaucracy, while working with public entities reminds companies that business can and should serve a greater purpose.

What advice do you offer young people interested in a career in the industry?

As you run your business, never forget that the products you make can be very personal to people. Home is a haven, and COVID has brought that even more into focus for us. Helping create beautiful homes is fun and rewarding as we touch people’s lives. Through design service, technology, and exceptional craftsmanship, we help people achieve the beautiful, comfortable home of their dreams. ●