

Internal and External Social Responsibility

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

EDITORS' NOTE Farooq Kathwari holds a B.A. in English literature and political science from Kashmir University and an M.B.A. from New York University. In 1973, as Vice-President of Rothschild, Inc., Kathwari formed a joint venture company called KEA International Inc. with Ethan Allen to develop home-furnishings product programs. In 1980, KEA merged with Ethan Allen and Kathwari joined the company as a Vice President, responsible for merchandising and international operations. He was promoted to Senior Vice President in 1981, Executive Vice President in 1983, and President in 1985. Kathwari is Chairman of the National Retail Federation and a past Chairman and President of the American Home Furnishings Alliance. He has received several industry recognitions, including Ernst & Young's Entrepreneur of the Year Award and the National Retail Federation's Gold Medal Award. He was also named one of Worth magazine's "Best CEOs in the United States." He serves as Chairman of the nonprofit organization Refugees International and the Kashmir Study Group, which he began in 1996 to promote a peaceful resolution to the Kashmir conflict. He is also a Director of the Henry L. Stimson Center and the Institute for the Study of Diplomacy at Georgetown University. He has been Chairman and Chief Executive of Ethan Allen since September 1988.



Farooq Kathwari

COMPANY BRIEF Ethan Allen Interiors Inc. (www.ethanallen.com), a leading manufacturer and retailer of home furnishings, offers design solutions through a network of more than 300 dedicated single-brand stores located in the U.S. and abroad. The company's design consultants provide clients with comprehensive design expertise and service using the full range of high-quality Ethan Allen home furnishings. Based in Danbury, Connecticut, and celebrating its 75th anniversary in 2007, Ethan Allen (NYSE: ETH) has nine manufacturing facilities in the United States.

Could you describe the philosophy that guides social responsibility at Ethan Allen?

We have always felt that social responsibility has to be viewed in a broad context. Involvement in communities is extremely im-

portant, but a company should examine the way it conducts itself internally as well as externally. We view our social responsibility as part of our corporate culture. To me, that means taking care of our own associates. We also believe that our responsibility to our clients is a social responsibility, in terms of staying credible, and creating the right environment and the right level of service. We are responsible to our shareholders as well. And we are also responsible to the community and the world in which we live.

In each category, we have tried to be a responsible organization. For instance, with our own associates, we seek to be transparent, and we insist that our associates act honorably in their dealings with their colleagues as well as their clients. Additionally, we have encouraged diversity. Fifteen years ago, there were hardly any women in management. Now, over 50 percent are female. And our retail associates also reflect the diversity of our client base, representing a wide range of cultures and ages. I look at that as fulfilling a social responsibility. We have also worked very hard to build a business that satisfies our clients' needs and offers fair prices and excellent service. We consider that an extremely important part of social responsibility.

Many of us are involved with organizations like Habitat for Humanity. I have always felt that social responsibility should be encouraged from the top down, so I have been actively involved with many causes throughout the last 20 years. For instance, I chair Refugees International, which aids refugees who are displaced from their homes. I also chair a conflict resolution group, called the Kashmir Study Group, which is involved with helping advance the peace process between India, Pakistan, and the peoples of the Kashmir region. I'm also active with the boards of a local medical center, a university, and a number of other organizations. Being exposed to ideas and challenges of the world has prepared me to be a more effective CEO, and has given me a unique perspective that I bring to managing all aspects of our business. So, I have set a precedent of getting involved, both personally and financially. We encourage all of our leaders at Ethan Allen to do the same, so they can also set the right precedent for everyone else.

Are you finding that young people today are interested in working for compa-



nies that place a strong emphasis on social responsibility?

Absolutely. In fact, about two years ago, I decided to appoint myself as the "Chief Recruiting Officer" for our company, reviewing and approving all professionals joining Ethan Allen. In the last two years, I have reviewed and approved more than 1,500 people, ranging from people who are just coming out of college to more experienced professionals. I believe my taking such a close interest in who is joining the company has raised the level of talent coming in. Simultaneously, we have started even more extensive training programs, running what we call a boot camp for new people at our headquarters every month. It's wonderful to talk to them – and I do talk to them – and ask them why they joined Ethan Allen. Many of them say they joined because of the credibility of this company, and the work environment it offers. Young people today want to be associated with enterprises they can relate to, that they can believe in, and that they can take pride in. And obviously, it's in everybody's best interest, because motivated people can do wonders for a company's productivity.

There are so many complex problems in the world and so much need. How does a results-driven executive prioritize one cause over another?

It is a challenge. But my experience at Ethan Allen has taught me to be patient. I realize that helping shape the debate, helping change the paradigm, takes a lot of time. It can be frustrating at times, but these things take time.

We heard that you recently received an award for "Outstanding American Citizen by Choice." Tell us more about that and how it fits contextually into being a socially responsible citizen.

I was very honored to be selected for this award, given by Dr. Emilio Gonzalez, the Director of U.S. Citizenship and Immigration Services at a special ceremony of the U.S. State Department, officiated by Secretary of State Condoleezza Rice. Over the last 40 years, this country has afforded me a unique opportunity and I am gratified to have been able to give back, and to be recognized for this. ●

Kathwari with a new homeowner at a Habitat for Humanity ground-breaking ceremony