

Making a Difference

Focused on Personal Service

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



EDITORS' NOTE Farooq Kathwari (www.farooqkathwari.com) has been president of Ethan Allen since 1985 and Chairman and Chief Executive Officer since 1988. Previously, he served as Vice President and Chief Financial Officer of Rothschild, Inc. In 1973, Kathwari formed a joint venture company with Ethan Allen, KEA International, Inc., to develop home furnishings products. In 1980, KEA merged with Ethan Allen, and Kathwari joined the company as the Vice



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President responsible for merchandising and international operations. Kathwari is the former Chairman of the National Retail Federation and of the American Home Furnishings Alliance. He serves as Chairman of the nonprofit organization Refugees International and the Kashmir Study Group, which he founded in 1996 to promote a peaceful resolution to the Kashmir conflict. He is also a member of the Council on Foreign Relations, a trustee of Freedom House, and a director of both the Henry L. Stimson Center and the Institute for the Study of Diplomacy at Georgetown University. He has received many industry and humanitarian honors, including recognition by the U.S. State Department as an Outstanding American by Choice, the Eleanor Roosevelt Val-Kill Medal, 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 earned a BA in English literature and political science from Kashmir University and an MBA in international marketing from New York University.

COMPANY BRIEF Ethan Allen Interiors, Inc. (NYSE: ETH; www.ethanallen.com), a leading interior design company and manufacturer and retailer of home furnishings, offers design solutions through a network of more than 300 dedicated design centers located in the United States 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, Ethan Allen has nine manufacturing facilities in the United States.

How important has community involvement been to the growth of the Ethan Allen brand? As a leader, how important is it to

drive that community role throughout the organization?

For Ethan Allen, community involvement is an absolute must. We have tremendous credibility in our communities and with our clients, and I believe that is a direct result of the credibility we, in the Ethan Allen community, have with one another. I try to set an example with my own community leadership activities, and that encourages the leaders of the local manufacturing, logistics, and design centers to set an example as leaders

in their communities. Our people are big champions of the causes that matter most to their communities, and we at corporate headquarters support them to the best of our ability. In some remote communities in Vermont and Maine, where we have manufacturing facilities, we are the largest employer in the area and, at all levels of the company, we take that responsibility very seriously. We are part of more than 400 communities in North America, and we are deeply involved in those communities.

How has the focus on providing solutions evolved over the years?

Personal service has become increasingly important. Because of globalization and commoditization, the home furnishings industry has undergone more changes during the past decade than it had in the previous 100 years. With globalization came mass marketing, which commoditized many home furnishing products. Globalization also took most of the manufacturing out of the United States. In the new environment of mass-market commoditization, we saw the opportunity to distinguish ourselves by providing good personal service. We focused on the personal service concept and started to improve every element of our operations. The quality of our service and products is what sets us apart today.

Many are concerned about the U.S. remaining competitive and innovative. From a manufacturing point of view, is it still a strong competitor in the global market?

We realized that with globalization we had to consolidate some of our smaller, less efficient plants, but we made a strategic decision to maintain a strong manufacturing presence in the United States. We had 23 plants about seven years ago. Today, we have nine plants in the United States, producing 60 percent of all the products we sell in our design centers. Our

domestic manufacturing is operating at lower margins than before, and our profitability is higher than most others in our industry. So I think maintaining a U.S. presence is important.

Many companies express concern about high turnover among their associates. How does Ethan Allen's culture foster success in retaining associates?

We have a passion for excellence and innovation. That attracts and keeps good people. In addition, we work hard to create a culture of credibility and integrity. For instance, our people like our commitment to quality and service, and we run the company by adhering to a set of 10 leadership principles that set the tone. One of the principles is justice. We try to deal fairly in every aspect of our business. Justice builds confidence and trust, which in turn encourages motivation and teamwork. Another core principle that the leaders of the company adhere to is to be accessible and supportive, and to recognize the contribution of others.

You've been very focused on the Kashmir Study Group and conflict resolution issues. Do you feel that the United States is wisely using its position in the world to help resolve major conflicts?

Recently, I spoke in Washington, DC, at the Center for Strategic and International Studies for the Commission on Smart Power. It was set up to study how the United States might begin to employ its power more effectively. In my remarks, I used an analogy: Ethan Allen is a great American brand that needed to be repositioned to retain its greatness, just as now, the United States – like a great brand with great attributes – is in need of similar reinvention. When you are powerful, you have a tremendous responsibility to use that power intelligently. In the past few years, a lot of issues have come up, and I have a feeling that America's checks and balances generally tend to make us go in the right direction. I believe that despite the current challenges, the United States is in a unique position to take our leadership to the next level in world affairs. The United States not only wields major military and economic power, but also increasingly reflects the diversity of the world. We should never forget that, in its diversity, the United States is a microcosm of the world community. As such, we possess unparalleled resources for leading the world toward respectful coexistence. ●

Farooq Kathwari at the celebration of Ethan Allen's 75th Anniversary