



Farooq Kathwari

EDITORS' NOTE Farooq Kathwari has been Chairman and CEO since 1988.

Kathwari 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 recently 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; 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, New York. He is also the recipient of three honorary doctorate degrees.

Leading in a Global World

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

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 plants and one sawmill in the United States, plus a plant in Mexico and one in Honduras. Approximately 75 percent of its products are made in its North American plants.*

Will you discuss your leadership principles and how critical they are to Ethan Allen's culture?

I believe that the focus today has to be leading in a global world. All of us face problems that leaders have always faced: demanding populations, fierce competition, and economic uncertainty; but, in addition, we are now being called upon to lead in a world that is rapidly changing.

One of the biggest dimensions of that change has to do with diversity. As global markets grow in importance and as the U.S. has become more diverse, leaders must master the challenge of guiding a multicultural world.

This is a challenge I have been grappling with for decades both inside and outside the business. When I arrived in the United States at age 20, I faced the challenge of learning and adapting to a very different culture than the one I grew up in. I had to master the challenges of the modern business world and I had to gain the trust of people who had never met me or worked with anyone from the area that I came from.

There were political challenges when I was asked not just to lead but also to transform Ethan Allen, an iconic American company with deep roots in some of the country's most traditional communities, from the historic towns of New England and rural communities of

Appalachia to the valleys of California and the prairies of Texas.

Ethan Allen is an 86-year-old enterprise. We have been profitable all that time and, so far, we have had only two CEOs.

I wanted this to be a company with clear objectives, so, taking inspiration from many parts of the world, I developed ten leadership principles to define Ethan Allen's commitment to excellence.

I believe that living by these principles is paramount. They are the compass that guides us to achieve our full potential, both as individuals and as an organization. The same principles have enabled me to make my best contributions to the social causes I embrace.

The first principle is self-confidence.

We must have the self-confidence to empower others to do their best. I have learned that self-confidence is essential to a leader who expects to empower others. If people are unsure of themselves, it is easy to be intimidated by others, which can make them want to settle for something they don't believe in or to try to micromanage the members of their teams. This doesn't make much sense to me.

It's an insecure leader who participates in bullying and authoritarianism. This is a tremendously important aspect that has helped me to earn the respect of others, making it easier for them to help me.

Self-confidence has also empowered me to stand up for what I believe is right in small and large ways. The biggest way is the times when I seek policies on issues like international conflict, immigration, and the global refugee crisis.

The second principle is hard work. We have established a standard of hard work and have practiced it consistently.

I've learned that the person who accomplishes great things is usually someone that others view as obsessed and maybe even a little crazy – someone who regards as normal the long hours that others would deem too much.

He or she is willing to also work hard in the sense of making hard decisions – not agonizing when confronted with painful options, but making the best possible choice based on the information available and then refusing to look back with doubts or regrets.

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Hard work and passion for the job are essential for anyone who wants to lead others. Hard work sets the tone for any organization. When the person at the top of any organization is truly dedicated to doing whatever it takes to carry out the mission, there is scarcely a limit to what can be accomplished.

The third principle is excellence in innovation. We must have a passion for being the best we can be. Driving innovation at a tradition-bound company is one of the biggest challenges one can face.

In many cases, the obstacles to innovation can be very difficult. Innovation is equally important in the world of nonprofit management, global diplomacy, and social organizations.

The fourth principle is accessibility. This means being open, supportive, and willing to recognize contributions. I believe an effective leader must be accessible to others. This trait is not as easy to practice as it might seem. It's not just having an open-door policy or reading all of the e-mails people send, although both of these habits are useful.

True accessibility, whether in business, international diplomacy, or other areas of human engagement, is separated from judgment or criticism – it's about inviting continued feedback and seeking buy-in from team members about initiatives.

It's about listening with open ears, an open mind, and an open heart to the concerns of others and seeking common ground where everyone's perspective is considered.

In terms of recognizing people, about 30 years back, a wise person told me something that I wrote down and put in my wallet: Find the good and praise it. That's very important because I receive 50 management reports every week. When I get them, my focus is always on finding something good in these reports to praise.

The fifth principle is customer focus. We have to encourage everyone around us to make customer service the highest priority. One of the ways I have tried to instill this principle throughout Ethan Allen is by defining the term "customer." We now use it to include not just end consumers but also the internal and external network of Ethan Allen team members – anyone who relies on you is your customer.

Every day we have to rededicate ourselves to fulfilling their needs as much as possible.

I treat people who work for the company as my customers. To reinforce this way of doing business, I recently established what I call the "wow" moment to recognize touchpoints of customer focus. I invite management and our executives to share any experiences they have or hear about that embody the best of customer focus. The stories I hear are often inspiring, and we post these "wow" stories for our network to see.

The sixth principle is prioritization. There is clearly a difference between the big issues and small issues. In today's complicated world, we have more to think about than we can possibly handle. For this reason, learning to set priorities is a crucial principle of leadership.

One of the rules of prioritization is to be fiercely disciplined about taking on responsibilities. If one has too many priorities, then they have no priorities at all.

I advise my direct reports to focus on five key initiatives at a time and I have done the same. Sticking to a narrow, intense range of interests enables me to accomplish the things I set out to do, which would not be the case if I fell into the common trap of scattered focus.

On a weekly basis, I ask our management to focus on the following five important leadership principles and to report on them.

- The first is talent and leadership development. They have to talk about what they have done to improve our talent.
- The second is what they have done to improve marketing and what their internal and external messages are.
- The third is what steps they are taking to improve service.
- The fourth is what steps they are taking in terms of technology.
- The fifth is what they're doing in terms of social responsibility.

The success of Ethan Allen can be attributed partly to the success of the principle of prioritization at an organizational level. The pursuit of sheer size tricks many corporations into overextending and trying to tackle too many markets, resulting in lost focus and inconsistent quality.

We are frequently presented with opportunities to buy other companies and I believe if we took advantage of them, we could be ten times our size. However, I don't know if it's the right thing to do in terms of being the best we can be.

I also urge our people to practice the same principle in their personal lives. I expect my colleagues to put their work high on their personal list and they virtually always do, but at times, other realities come up. When that happens, I urge people to dedicate the time and energy needed to care for their loved ones and themselves with no questions asked.

In return, I have received a remarkable level of loyalty and commitment from my team members and our turnover is one of the lowest across many industries.

The seventh principle is to lead by example. This is something that has to be practiced both in business and outside of business. When the September 11th terror attacks hit the U.S., I felt it as my duty to help shape a humane American response.

Among other things, we published full-page ads in *The New York Times* and the *Washington Post* and urged national unity among people of different faiths and a renewed commitment to the American values of tolerance, wisdom, and justice. Soon thereafter, I had a chance to meet with President George Bush and his chief political advisor, Karl Rove. I strongly suggested to them that the perpetrators of the September 11th attacks not be labeled terrorists but rather criminals and that the U.S. should not be perceived as being at war with another religion. I believe it had some impact.

I've been involved with many nonprofit organizations and recently was asked to co-chair the Muslim-Jewish Advisory Council with Stanley Bergman, CEO of Henry Schein. The Council advocates to reverse the rise in hate crimes based on religion in the United States, to develop strategies to address anti-Muslim bigotry and anti-Semitism, and to protect and expand the rights of religious minorities in the United States. Another organization to which I contribute is a congressionally mandated task force on extremism in fragile states. This is the next version of the 9/11 Commission. The objective is to have experts develop recommendations for U.S. policies to help fragile states in Africa and the Middle East avoid the dangers of political extremism.

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and an open heart to the concerns of others and seeking common
ground where everyone's perspective is considered.**

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The eighth principle is change. Change means opportunity, so don't be afraid of it.

One of the lessons that has been brought home to me over and over during my years at the helm of Ethan Allen is that change must be embraced, not resisted. It's a hard lesson to practice, especially in a successful company where business as usual feels comfortable.

We remain one of the world's premier companies that has vertically integrated design, manufacturing, and retailing into a single business. We have overhauled the systems to maximize the value we create for customers as well as the speed and efficiency at which we are able to do it.

Today, the furniture business, like most industries, is facing dramatic challenges as commoditization, globalization, and technology change the world. My mission has been to define and lead a response. I have specified steps, many of which have already been put into place, such as consolidating our manufacturing facilities. About 75 percent of our products are produced in our own factories in North America.

These principles have helped remake Ethan Allen for the 21st century and have taught me about managing change. One lesson has been the need for continual rethinking of familiar assumptions. To make this part of Ethan Allen's DNA, I have instituted the practice of zero-based thinking, which means programs and initiatives are continually reviewed and updated as necessary.

Under this crucial principle is the importance of preparing for change – fear, doubt, and resistance can be minimized when leaders lay a conceptual foundation before launching the change effort.

We have to educate our team members on the way the business environment is evolving and help them understand the new competitive challenges and the new demands customers are presenting. I believe the best way to do this is person to person, which explains the town hall meetings we constantly hold across the country.

The ninth principle is speed. Seize advantage by reacting quickly to new opportunities.

In the 21st century, technological changes are in the process of reshaping retailing, manufacturing, and customer service, which are all critical areas upon which the success of Ethan Allen is dependent.

We know that more and more consumers are turning to online shopping. Traffic in every retail store has declined over the past six years by as much as 60 percent, though at our own Design Centers, the fallout has been less.

Because of that, the internet is a prime source of customers, and digital skills are a crucial talent for Ethan Allen designers and other personnel. In the U.S., we have more than 1,500 interior designers and as of this year, approximately half of them are regularly conducting live chat sessions with customers, answering questions and working on design projects. In the next year, the others will join them in live chat.

In this new environment, we have to learn how to turn on a dime. Our job is to transform from mission impossible to mission possible by developing new capabilities and doing new things quickly and with a high level of quality. This is a combination that once seemed impossible.

Finally, the tenth principle is justice. Make decisions fairly. Justice builds trust, motivation, and teamwork.

Justice is not a word that often gets applied to business leadership, but I think it matters profoundly. I try to apply the same social science that drives my involvement with global diplomacy efforts to leading Ethan Allen. These include concern for managing employees fairly, meeting high environmental standards, and being consistent in the treatment of all stakeholders.

Leading justly is perhaps the hardest thing an executive is called upon to do. It requires a willingness to lose when an underlying moral principle is more important than winning.

It requires being open to disciplined and respectful conflict, recognizing the value in changing direction when one realizes they are wrong, and maintaining the courage to stand firm when they are right.

It also requires the ability to say no, even to a valued customer, when it is necessary to take a stand on an issue of conscience.

Recently, we have had to make a number of important decisions. This past year I took an unusual step of deciding to not accept and return back to the company about two million dollars in incentive awards, which the board had granted, so the funds could be used instead to benefit the company as a whole.

I learned that in 2019, our medical costs will grow by 11.5 percent. I thought about it and realized that we have saved money based on the new tax laws, so we can use some of this to reduce the cost for our employees. We have also maintained strong mental health and safety initiatives.

There is, and has been, a passion that extends from our corporate offices to our design centers to our manufacturing facilities to our supply chains, end-to-end, top-to-bottom, to enhance our environmental commitment and build outstanding business performance through sustainable operations.

We have also partnered with the American Home Furnishings Alliance to start a journey toward becoming a sustainable by design company.

We also have an objective to exceed product safety regulatory standards, from the way we source wood to the way we craft custom upholstery. Our efforts there fit with our core concepts – delivering quality without compromise, forming transparent partnerships, and ensuring accountability.

For instance, in our Mexico and Honduras plants, we maintain similar environmental, safety, and social responsibility standards as in our U.S. facilities. It's not something we do because it's legally required – it's the right thing to do. We have since reaped the benefits of people being treated fairly. Our progress there has been remarkable.

In this world of major change, I believe we have to make sure that we remain leaders, even as a younger generation arises. Leading actively in a world of complexity is hard but, like many challenging things, it's also very rewarding. ●