



Farooq Kathwari

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 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; 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 a B.A. in English Literature and Political Science from Kashmir University, Srinagar, and an M.B.A. in international marketing from New York University. He is also the recipient of three honorary doctorate degrees.

Continuous Reinvention

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 five manufacturing facilities, including three 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.*

How critical are Ethan Allen's values to the success of the company?

Values are important – they are what define us. One of our important values is being relevant, and Ethan Allen would not be around if we had not found ways to remain relevant. It's a reason why, after 86 years, I can be very proud of the fact that we have been profitable every year.

We have made it through recessions and even a Great Depression because we remained relevant, which only takes place if you also have a team that believes in continuous reinvention.

Most public companies grow by buying other companies. I have resisted this, knowing that our values could be lost if I was not managing one team. The focus of my life has been to be a captain of a team, and Ethan Allen has been that team for me for the past 40 years.

As a public company, how do you balance the short-term, quarter-to-quarter pressures with your commitment to continuous reinvention, which is a long-term strategy?

It's not easy because, over the longer term, despite the short-term ups and downs, you still have to perform and have strong financials. You cannot be strong if you don't have money in the bank.

Last fiscal year we increased our dividend by more than 50 percent and ended the year debt free. Over the past number of years, we purchased 42 percent of our company back. We have given over \$600 million in dividends since we took the company private in a management buyout. We've also invested \$800 million in capital expenditures, again, with no

debt. All of this is based on being focused on running a business in the best possible way and recognizing that we are a complicated business. We do everything from the concept of an idea, to design, to manufacturing in North America 75 percent of the products that we sell.

With all the changes taking place internationally, we've had to reposition our manufacturing in the past 20 years. We have had to continuously invest in manufacturing technology. We've also had to shift our retail locations in response to changing demographics. We now have a network of about 200 retail design centers or stores in North America and we have relocated 60 percent of them in the past 15 years. If we had not done all of those things, we would not have been able to maintain the strong financial position that we have.

How do you define the Ethan Allen of today?

Ethan Allen today is a lifestyle company. We help people create beautiful homes. To do that, we have to be involved in many different enterprises. We go from concept of idea to design to engineer making 75 percent of our products in our North American workshops. We have over 1,500 talented interior designers, and we have one of the best logistic networks to provide "white glove" home delivery.

To be a lifestyle company that meets our clients' aspirations, we need to be a company where people are proud to work and proud of the work they do whether they are in Vermont, North Carolina, Oklahoma or in Mexico, where we were recently designated as one of the best places to work. The same is true in Honduras, where our facility has been recognized for the past few years as having the best company-based health clinic.

These things happen because we take care of our people so they will take pride in what they do and enjoy working at Ethan Allen. Treating people with dignity in this age is one of the most important and sometimes difficult things to do. But it's also essential, so we make it a very high priority.

What do you look for when hiring talent?

We look for people who are able to work well with other people, to treat them with dignity and to operate as a team member. People who join us have to believe in rolling up their sleeves and working hard.

If you visit Ethan Allen, you'll find it hard to guess who is a Vice President and who works on the line; they are all workers, as I am a worker. I constantly visit our locations around North America to meet people and to get involved with all kinds of things.

To reinforce our values, we established our ten leadership principles many years back. We take them seriously in our day-to-day operations. I have just been reading about 30 reports from our leaders who were asked to do an annual self-appraisal on how the ten leadership principles have guided them. It is interesting to read about the impact these principles have had.

In most of the world, leaders think that the main job is for them to get the most and give the least; they don't care about their people. But at Ethan Allen, we believe that the main job of a leader is to help their people become better. That means you have to be willing to lose a little. I have made many decisions over the course of my career that have moved me backwards. For instance, I have refused to take money which I could have taken, because taking less in the short term creates more value for all of us over the long term.

Was your passion around leadership instilled in you early on or is it something that developed from your life experience?

It was a combination of both. I was born in Kashmir, which has beautiful mountains and very strong people. I was recently there attending a wedding and all the people at the wedding ate together, whether they were executives or workers or even maids. This is the culture that I was raised in, where everybody was considered to have dignity. That's an important leadership trait.

I also grew up in a family that had very strong feelings about how to treat people. You have to always be honest and fair.

I participated in sports and rose to be a captain where I had to focus on creating the best team and to work hard at it. I learned a lot about leadership from this as well. So some of my interest in leadership was born in the environment in which I grew up, but some of it came from my personal experience.

You have a new book being published titled *Trailblazer*. What message do you hope to deliver with the book?

By nature, I'm a storyteller, and many of the stories in the book are stories that I have told to my children and now to my grandchildren. My friends and family were after me to put these down in a book.

This gave me an opportunity to reflect on things that happened in my life. Some of these events were joyous, some tragic, some challenging, but all have been learning experiences. *Trailblazer* has given me the opportunity to relive my life from the beginning, from growing

up in Kashmir, getting involved in sports and leading protests as a student leader, to my journey to America and my business career.

You have never lost your ties to Kashmir. How have you focused your effort?

I have tried to contribute in a practical way to solving the political difficulties of my homeland. Unfortunately, with recent events, people of Kashmir are faced with many challenges. About 20 years back, I was asked to get involved with the parties in Kashmir. I spent ten full years doing what I took as marketing, trying to promote a realistic solution to the problems of Kashmir. In order to sell a concept, you

leaders in the region to advance the solution. They were surprised when I told them that I was now going to stay on the sidelines. They felt that people who do these things make it into a lifetime passion. I had accomplished my goal of putting together a structure and framework for the leaders in the region, but it was up to them to implement it. I felt it was time for me to get involved with other areas, whether it was refugees, social issues, or creating better interfaith relations.

When you look at the world today, are you concerned about the direction it's heading?

There are certainly major challenges and one is globalization. The world has become small and it's becoming smaller. When I was recently in the mountains of Kashmir at 8,000 to 13,000 feet, we had some guides and some young folks with horses. They had nothing much to wear; their shoes were broken, but they all had a mobile phone which shows how the world has become smaller and global knowledge and information is available everywhere.

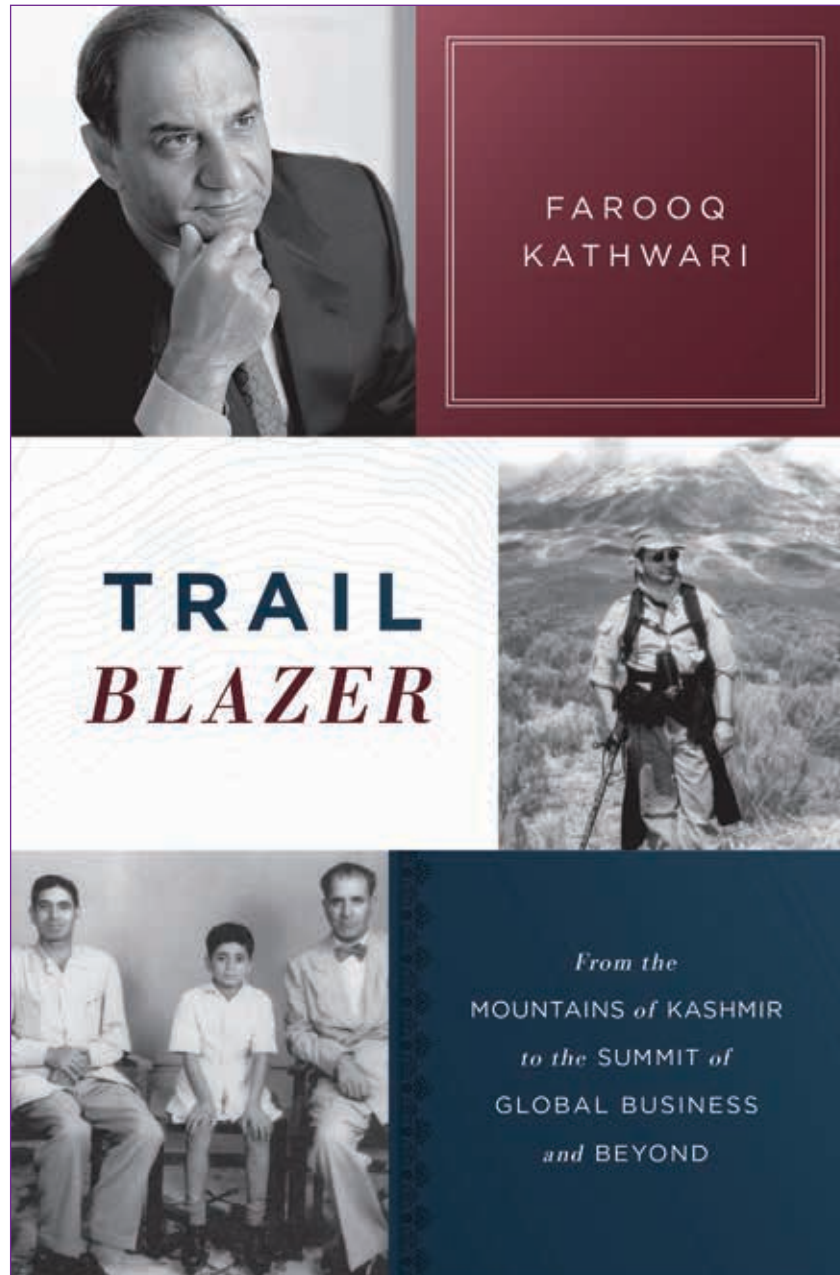
Because the world is now smaller, we better start thinking about how to bring people up. The benefits of modernization must be spread throughout the world. We Americans can't think that somehow we're going to stay up and everybody else is going to stay down. I think that we have to, much more now than ever, think about how we're going to help people become better, whether it's in Latin America, Africa or in the Middle East, or in other parts of Asia. If not, the migration problems we are seeing today will only get worse.

Part of this is also due to climate change. Many are leaving some parts of Africa and even parts of Honduras and Guatemala, not only because of poor governance, but also because of climate change. I feel we are in a very difficult and precarious position and the world today has to work together. If not, everybody is going to be in trouble.

At the same time, we have to understand that many of these problems take place because of poor governance, and we cannot

throw money to these countries with poor governance because it's going to end up being misused. If we keep on supporting poor governance, which we do unfortunately, how are we going to make progress? I think governance across the world is tremendously important.

The United States is still viewed as an important world leader. If we can help set the world on a course toward sharing the benefits of a growing economy, addressing climate change, and upholding the principles of democracy and good governance, we can help ensure that the decades to come will be a time of peace and prosperity. ●



have to first make sure that you become known and that you are desired. Getting involved with the Kashmir conflict entailed exactly the same principle; one had to be known in a positive way, and then desired. So I helped create the Kashmir Study Group, which was made up of very knowledgeable, extremely motivated and dedicated scholars, diplomats and historians who joined me in this endeavor. I spent ten years shuttling back and forth to all the areas of conflict and met all the leaders.

After ten years or so, I came to the conclusion that our work should help the parties to move forward and that it was now up to the