

90 Years of Innovation

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



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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.

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.

Ethan Allen is celebrating its 90th anniversary this year. What have been the keys to Ethan Allen's longevity and ability to stand the test of time?

To achieve 90 years of profitable business, you have to constantly innovate, have strong teams, and be entrepreneurial and disciplined, understanding that motivated people are essential to success. Our vertical integration from manufacturing to retail to logistics has been the key to our success, along with the importance of having relevant products throughout our history.

How critical is continuous improvement and constant reinvention to Ethan Allen's success?

The only way to achieve longevity is by constant reinvention, yet I've always believed that an innovative culture is built on core values

that never change. We stay focused on our core brand advantages: the strong position of our global retail network; our vertically integrated structure that allows us to manage the Ethan Allen experience from concept to delivery; the personal service of our designers, now combined with technology; and the diversity of our styles and our customization offerings. We then look for innovative ways to make those differentiators even stronger. When you control your core values, the "how" can evolve with the times.

How do you define Ethan Allen's purpose and mission?

Our mission is to provide great service to our clients and take care of our associates. The past two years have been extraordinary in terms of consumers' focus on the home, and serving our clients through challenging times has strengthened our sense of purpose. We strive to improve every client's quality of life by helping them create a place they'll love to come home to every day. We achieve this by offering exceptional personal service from design to delivery, offering products of the highest quality, and crafting most of our furniture to order in our workshops.

Ethan Allen is guided by a core set of leadership principles. Will you highlight these principles and how deeply engrained they are in Ethan Allen's culture and values?

Our Leadership Principles go back to what was said earlier: Innovation begins with knowing what you stand for. One of the most

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important things to be in 21st-century business is agile, so I devote three of our principles to that concept. The principle of Excellence + Innovation – strive for the highest quality and embrace an entrepreneurial spirit – is supported by two additional principles: Change (embrace change and do not be afraid of it) and Speed (react quickly at pivotal moments).

The 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. When we are grounded in what is right, we can turn our attention to how we treat others. This is where the principles of Accessibility, Confidence, and Client Focus come into play.

How is technology impacting Ethan Allen’s business and how important is it to make sure that the focus on technology does not take way from the personal relationship and human touch that Ethan Allen is known for?

Technology doesn’t take away from personal service; it opens up more opportunities for connection. For instance, most of our interior design projects begin with what was an innovation for us in 2019: our 3D Room Planner, which we’ve recently updated with even more photorealistic graphics. Now, by the time they’ve come to the Design Center, most clients have already connected with their designer via email or video chat. Our 3D Room Planner makes that connection possible.

This year, we also debuted a first-of-its-kind Virtual Design Center where clients can take a 3D or virtual walk through 25 different rooms in three different projections: Timeless & Refined, Carefree & Relaxed, and Livable Modern. They can shop for products, create and share shopping lists, and even co-browse with their Ethan Allen designer – there again, the opportunity to connect. In its final form, this Virtual Design Center will represent 30,000 square feet of gallery space, with 75 indoor and outdoor room settings and more than 2,000 shoppable products. Technology has also played a key role in maintaining and growing our manufacturing in North America.

How important has it been for Ethan Allen to have roughly 75 percent of its manufacturing in North America as the world has been facing such deep supply chain challenges?

The supply chain challenges facing every industry are well-known – shortages of drivers, containers, trailers, and ocean vessel space; port closures, port congestion, and premium freight rates. We are unique in that we decided to maintain our manufacturing in North America. When I became President about 37 years back, we operated 30 manufacturing plants, each purchased in different time periods – a very inefficient way of doing business. We consolidated our manufacturing in four important areas of North America – Vermont, North Carolina, Mexico, and Honduras – where about 75 percent of our products are made and most orders by our clients are custom.

Will you discuss Ethan Allen’s commitment to build a diverse and inclusive workforce?

We are proud to have a diverse and inclusive workforce. One of our company’s proudest achievements is our elevation of women into leadership positions: 69 percent of our retail leaders are women, as are 58 percent of our leaders at our headquarters. As a GSA contractor, Ethan Allen is an Equal Opportunity Employer, ensuring freedom from discrimination on the basis of protective classes.

I always say America is a microcosm of the world. Our country brings together so many people from all parts of the world and from diverse perspectives – there’s no other country quite like us. Being a proud American brand means aspiring to greater diversity within our walls.

What do you see as Ethan Allen’s responsibility to be a good corporate citizen and engaged in the communities it serves?

Social responsibility starts at home: We take care of our people internally, then branch out to our communities. We start by ensuring that the standards with which we treat our associates are consistently applied throughout our global organization. Then, we strive to develop partnerships that help our associates feel connected to their communities. 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.

We also think globally in terms of our responsibilities, both in terms of quality of life and protection of our natural resources. We’re proud to champion economic opportunity for artisans all over the world, and we have a clear Supplier Code of Conduct that we expect our supplier partners to follow and to reinforce with their own subcontractors. We’ve also made a lot of progress in cutting our carbon footprint and sourcing wood for our manufacturing from responsibly managed forests. We’re currently setting new sustainability goals for 2030, and we plan to be operating with net zero carbon emissions by 2050.

You devote a great deal of your time and expertise to humanitarian efforts, including working for human rights and developing international conflict resolutions. Will you discuss this work and what has made these efforts so important to you?

I grew up in Kashmir, a region divided by politics, ethnicity, and religious difference for more than 70 years. When I was not yet five years old, politics intervened and our family was separated for over 10 years, and we were designated as “refugees.” I am sure this helps to explain why, in the decades since then, I’ve devoted much of my time and energy to seeking solutions to the conflicts of the region that still bring suffering to people.

Helping others was also the guiding principle in the life of my son, Irfan Kathwari, who left this world 30 years ago at the age of 20. Irfan went to help in many troubled regions of the world, even though I pleaded with him to come home and focus on his studies. His last reply was, “You do not have to worry about me, Dad. What is happening in the world is important. I am just trying to figure out what I can do to help. It is our job to help people who are less fortunate than us. Unless we do what we can to help others, our lives are meaningless.”

The call to help the people around us, and in other parts of the world, is a call to which every leader must respond. When we help others, we leave a legacy that inspires others to take action, just as my son’s passion continues to inspire me.

As Ethan Allen celebrates its 90th anniversary, have you had the opportunity to take moments to reflect and celebrate all that Ethan Allen has accomplished?

We are a proud American brand. While we are a publicly listed company, we have maintained our core values and have also been consistently profitable. Our associates take pride in our work and our clients appreciate what we do and are loyal to our brand. We are truly blessed.

Earlier this summer, we had the opportunity to come together as an Ethan Allen family and celebrate our 90th year during our virtual and physical convention, which included more than 4,000 associates from all over the world. We’ve come a long way from our Vermont roots, but we’ve never forgotten who we are, and I always say this: “The best is yet to come.” ●