



Farooq Kathwari

**EDITORS' NOTE** Farooq Kathwari has held his current post since 1988. He also serves as Chairman Emeritus of Refugees International. He founded and chairs the Kashmir Study Group. He also served as a member of President Obama's Advisory Commission on Asian Americans and Pacific Islanders from 2010 to 2014. Kathwari has received several recognitions, including being inducted into the American Furniture Hall of Fame; 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 was also recognized by Worth magazine as one of 50 Best CEOs in the United States. He received a B.A. in English Literature and Political Science from Kashmir University, Srinagar, Kashmir and an M.B.A. in International Marketing from New York University. He has also received three honorary doctorate degrees.

**COMPANY BRIEF** Ethan Allen Interiors Inc. ([ethanallen.com](http://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 and sells a full range of furniture products and decorative accessories through their web site and a network of approximately 300 design centers in the United States and abroad. Ethan Allen owns and operates eight manufacturing facilities including five manufacturing plants and one saw-mill in the United States, plus a plant in Mexico and a plant in Honduras. Approximately 70 percent of its products are made in its North American plants.

#### How do you make the necessary changes to the company without losing what works?

Ethan Allen is not 82 years old, but 82 years young – the difference between the two is relevance. Staying relevant means never standing still. It means growing and evolving based on how your customers' needs and desires are growing and evolving. If the changes you make

# An Iconic American Brand

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

are always focused on staying relevant to your customers, then I have found that you don't lose what works.

For instance, today people are living more casual, relaxed lifestyles. Our product offerings have been evolving with this trend for several years, and this fall we are launching a major introduction of hundreds of new designs, all of which express great style and quality. We take this idea of fashion and luxury and make it much more livable.

To showcase all of these new offerings, we are also in the process of transforming our design centers to create the kind of casual, comfortable, and colorful experience shoppers want today. By the time this launch is complete, in fact, more than 50 percent of our product offerings will have changed, as well as most of the display in our design centers.

Another area in which we are implementing a lot of change is technology. As you know, our design centers are staffed not with salespeople but professional interior designers, and we have now equipped them with state-of-the-art-tablets. There are also interactive touchscreens throughout our design centers, and the tablets and touchscreens are all linked with [EthanAllen.com](http://EthanAllen.com) to offer our clients a truly seamless shopping experience. Speaking of [EthanAllen.com](http://EthanAllen.com), we are now developing a completely new website, taking it from good to great, and that will go live in early October.

So that's a lot of change. But as I said, staying relevant means never standing still. As a CEO, I am constantly encouraging my team to anticipate, embrace, and then implement the changes we need to make, and one of the things you have to look out for as a leader is to know where the line is between too much change and not enough. I know from my days of climbing mountains that when you push yourself too far, too fast, you can develop water in your lungs and then nothing goes right. So for me, that's where the line is. Keep climbing the mountain, but one step at a time.

#### How concerned are you that the U.S. will lose its competitive edge?

It's a real concern. Fifty years ago, the U.S. was the largest creditor nation; today, we are the largest debtor nation. The reason is that we have not maintained our competitive advantages. We have to think longer term, to rebuild our infrastructure, and to create a different, long-term incentive system, which unfortunately our markets do not provide.

In the case of Ethan Allen, we strongly believe that our roots as an American brand and our continuing commitment to American manufacturing are core competitive advantages for us, and an important part of our DNA as a company. So over the years, we have continued to reaffirm our commitment to building most of our products here, and even as we were looking at all the new designs we are launching this fall, we looked at them with an eye toward making most of them in our American workshops.

#### Is it important that the new product maintain the feel of the old product or is everything brand new?

When you say "maintain the feel," what I believe people feel and have always felt from using Ethan Allen products is their quality. People have come to expect excellence from us in terms of materials and craftsmanship, and our focus every year is to improve that.

So you will see extraordinary quality in these new products, but through designs that are more casual and relaxed. We are calling these new products "The Next Classics" because they deliver on our heritage of creating timelessly designed, beautifully crafted fashion for the home, but in styles that people can live with comfortably.

I should also mention that we are not only introducing many new products, but we are also reintroducing some of our more popular, best-selling classic designs with new finishes and fabrics that take them to a whole new level.

#### How much do you guide stores on display and look? Is it important there be a consistent feel throughout?

Today, our products are projected in every direct mailing – so creating a consistent look at the store level is tremendously important. In North America, 70 percent of our design centers are run by the company, so they are going to implement to our standards. We're providing the investment, the capital, and the talent – the people are there. With the independent retailers, of whom 99 percent only run Ethan Allen, our average association with these families is 35 years. They are strong partners who are very motivated to implement our feel because they understand it to be relevant. They understand they had better be fashionable and have the right projections, or they will be left behind.

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### **How can you offer such reasonable pricing with all that goes into the quality?**

This is a great question, and it goes to the very heart of who we are and why we've been successful over the years.

Unlike our competitors, we are vertically integrated. Product design, manufacturing, distribution, marketing, advertising – we run all these things ourselves. This allows us to cut down on waste and run a very efficient business.

We deliver our products at one cost nationally. In our industry, logistics is a very expensive proposition, so we have made the logistics as efficient as one can today.

We have consolidated our manufacturing to the best locations and invested a lot in technology, and we still have a lot of handwork that is supplemented with technology.

The other efficiency comes in that 70 percent of the product we sell is custom-made in our own workshops. Many people in our industry will go overseas, buy a lot of product which comes six months later, and hope they sell it, but there are often leftovers.

So for us, vertical integration means greater value for our customers. It is one of our strongest competitive advantages.

### **How far will the technology move this industry, and is brick-and-mortar losing some of its importance?**

In every retail category, foot traffic has been declining over the past 10 years. One reason is that people used to go to stores to window shop. Today they go to the Internet to window shop. While we're seeing the same traffic trends as other retailers, what we're also seeing are much more qualified shoppers who come in, because they've already done their research online.

Our brick-and-mortar business will always be important to us because our level of quality is something that is best experienced in person. Another reason is our network of professional interior designers, each of whom has many long relationships with clients, and these are relationships that work best one on one, in our design centers.

### **How do you maintain an entrepreneurial culture at your size and scale?**

One advantage that we have is that we run one enterprise. Ethan Allen is structured so that

we have 400 teams and every team has a captain who is part of the team while running it. Every design center we have has a captain and as many as 20 team members. That captain has to run it entrepreneurially but stay committed to our brand, our quality, and the way we provide service.

We grow by creating more teams. My job is to make sure these teams remain motivated and informed.

We operate under what we dubbed many years back as our 10 leadership principles. I ask employees every year to self-assess how they have utilized and benefitted from these principles.

### **How important is it that your diverse customer base is mirrored within the workforce?**

Ethan Allen may be an international brand today, but it's an American company, and the story of America is diversity. This is a country that represents and reflects the world, and our company must as well.

Our offerings represent designs that have come from all over the world. We take them and reinterpret them with an American attitude.

Similarly, the people we have here represent that diversity. Most of our management and retail are women – at least 80 percent.

Having said that, I don't look to get people based on their race or gender; we just look to get the best people.

### **How critical is community engagement to the firm and how important is it to engage your employees in these efforts?**

We have to make sure we take care of home. First are our customers – we have to treat them fairly; this is a social responsibility.

Second are our associates at Ethan Allen – to make sure they are treated well and have the right training and the ability to progress, and that we provide them with benefits like good healthcare.

In our home base of Danbury, Connecticut, we are involved with universities and various other activities.

Similarly, in areas where our manufacturing is based, we are the primary employer in those areas and often the largest taxpayer, so we help in that way.

### **Is it hard to be optimistic about the state of the world, and what has happened to leadership?**

It is never hard to be optimistic. All I ever have to do is to look into the eyes of my young grandchildren.

I think optimism is part of the job requirement as a CEO. The other is to set a precedent your people can follow. That's what leadership is, when it comes down to it. I can't tell my people to work hard if I don't work hard. I can't expect our managers to treat their people with dignity and fairness if I don't do the same. Setting an example for others to follow is the essence of leadership, whether you're a company like ours or a country like America, which has such an important role to play in the world because so many people look to us to project the right leadership attitudes.

I had a group of young students in the office the other week. These were Palestinian and Israeli kids who were attending camp together in order to bridge their differences and discover their common ground. You should've seen the smiles on their faces and the energy they shared. I am always interested in what inspires and motivates young people, and I think these kids inspired and motivated everyone they met in the office. Moments like that keep me optimistic about the state of the world today. ●

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