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NYU Stern Commencement Address 2017

The Activist CEO in a Multicultural World

It's an honor to be with you on this special day. You're taking your new degrees into a business environment that, while challenging, provides great opportunities.

You'll face the problems business leaders have always faced—demanding customers, fierce competition, and economic uncertainty. You'll also be called upon to lead in a rapidly changing world, a world marked by ever-increasing diversity.

Leaders must master the challenge of guiding organizations in a multicultural world. It's a challenge I've grappled with for decades, both before I joined Ethan Allen and after.

I have been fortunate in finding a life/work balance. I enjoy mountain climbing, and for 36 years have been a part-time apple farmer in the Hudson

Valley. Most importantly, I have a loving family—including some members who are here today. But when I look back, I'm reminded that my story has been marked by persistence—and luck—throughout my life.

In my second year of college in Kashmir, I was informed that I could not take the annual exams, because I hadn't attended the required number of classes. I went to the head of the university and said, "Sir, the reason I was absent was that I was playing cricket. But playing cricket is an education in itself!"

He laughed, but I persisted, and he accepted my argument. I was given sufficient credit to appear for the exams. If I had not convinced him, there is a strong probability I would not have come to America.

Later, after arriving in New York and beginning my studies at NYU, I needed a job. I saw an ad for a bookkeeper in a four-person envelope printing company near Canal Street. I asked classmates, "What does a bookkeeper do?"

I had never even seen a calculator. I was advised not to apply, but I did.

Thanks to luck and persistence, I got the job.

A year later, I got a job with Bear Stearns as a junior financial analyst.

Less than five years later, I became CFO of Rothschild, Inc., a leading investment company. Keep in mind: I did this while majoring in international marketing. I discovered that America was a welcoming country, where hard work and a little good luck can help a person go far.

In 1985, I became president of Ethan Allen. To say the least, I was an unconventional choice. Ethan Allen was a classic American brand built by proud craftspeople and multi-generational retailing families. Ethan Allen and American tradition were synonymous. The company was even named after a Revolutionary War hero.

It took courage for Nathan Ancell, its founder, to hand over the leadership to me. I was a young man from the faraway region of Kashmir, a mountainous land of vivid natural beauty, rich cultural history, and intense

political conflict. I was also a Muslim, a member of a faith then unfamiliar to many Americans.

Some observers wondered whether I would be accepted as the leader of such an iconic US institution. I instinctively knew that in a world wracked by change, an activist had a much greater chance of success than a leader who served as no more than a caretaker.

I started by establishing ten leadership principles that continue to guide me and my team at Ethan Allen. You can read about them on our website. Today, I'm going to refer to three that are particularly relevant: Accessibility, Prioritization, and Justice.

Being accessible—making personal connections and helping your colleagues reach their potential—is a crucial skill for every leader to practice.

As the new president of Ethan Allen, I needed everyone to feel as though they could talk with me, understand me, and trust me. That included rock-

ribbed New Englanders and country folk from the mountains of North Carolina, who had probably never met a Farooq in their lives!

I looked for common ground. In one of my first speeches to the workers at our factory in Vermont, I praised the beauty of the Green Mountains that surrounded us. I told them, “Being here makes me feel truly at home—although I must say that the Green Mountains are small hills compared to the Himalayas back in Kashmir!” Then I added, “But I’m sure we mountain folk can agree that most of the world’s problems are created by all those flatlanders!” Everyone laughed and applauded! Suddenly I was “one of them.”

Through gestures like these, I found myself embraced by the people of Ethan Allen. That’s the power of Accessibility.

A second leadership principle that guides me is Prioritization. Prioritization is about putting first things first—knowing the values that matter most and standing up for them, especially in times of stress.

By the 1980s, Ethan Allen needed a makeover. At that time, Ethan Allen had some 250 stores, nearly all run by independent owners. We also had 30 manufacturing plants scattered around the country. Like many enterprises at the time, we operated under the principles, “If it ain’t broke, don’t fix it” and, “My way or the highway.” We had to prioritize change if our traditional American business was going to thrive in a global economy.

We needed to change the culture to remind leaders their main job is to help their people become better. We needed to establish a strong logistics network to deliver products at one cost nationwide. We had to shift from fragmented advertising to national advertising that reflected a clear brand message. We also needed to transform our offerings to include modern looks in a variety of styles.

To win support from our colleagues, we adopted the motto that founding father Benjamin Franklin shared with his revolutionaries: “We must hang together, or we shall all hang separately.” We also invited over 5,000 of

our associates to visit our headquarters in Danbury, in groups of about 300.

Through intensive dialogue, they became our partners in implementing major changes.

Many of these associates also grew into the company leaders we needed to drive change. Today, we are blessed with over 200 strong leaders. Over 70 percent are women, and over 80 percent have risen through the ranks.

When I became president, Ethan Allen was part of a public company. In 1989, we took it private in an LBO; then went public again in 1993. The favorable response to our changes resulted in our generating over two billion dollars of free cash in a relatively short time. Reading today's ever-shifting markets and recognizing when the time is right for change is not easy—but this kind of activism is essential to success in our complex world.

About two years back, an Ethan Allen investor claimed that we were not realizing our profit potential. They demanded that we sell our real estate for short-term gains, and threatened a proxy fight if we refused. We said, "Go

ahead, it is a free country!” A vigorous public battle resulted—which we won. It was an unusual victory that underscored the value of an activist approach to leadership.

For 86 years, Ethan Allen had not collaborated with any other brand. Two years back, we entered an agreement with Disney, and this year we launched the Ethan Allen | Disney collection. This summer, we are launching an Ethan Allen Design Studio in collaboration with Amazon. Today, you’d better be a “disruptor,” or you will certainly be “disrupted.”

Our focus has always been to plan for the long term. We are proud that we have maintained profitability on a continuous basis for 86 years. That requires an activist CEO and a team willing to embrace change as circumstances demand it.

I also believe that business leaders should prioritize social and humanitarian issues. I’ve served as Chair of Refugees International and am currently on the board of the International Rescue Committee and the United

States Institute of Peace. At the invitation of both the Indian and Pakistani governments, starting in the 1990s, I spent twelve years working toward a peaceful resolution to the Kashmir conflict.

Recently, I was invited by the American Jewish Committee to co-chair a bipartisan body called the Muslim Jewish Advisory Council. My co-chair is Stanley Bergman, CEO of Henry Schein. Our objective is to unite people of various faiths, to speak against discrimination, and to champion the contributions of Americans who are Jewish and Muslim.

It's a leader's job to rally the team behind a few big priorities. At Ethan Allen, I insist that our leaders focus on no more than five important priorities at any time.

The final leadership principle I want to mention today is Justice. This is a word that is rarely applied to business leadership, but I think it matters profoundly. We believe that treating people with dignity is good for profitability.

Justice includes such values as managing employees fairly, caring for communities, meeting high environmental standards, and being consistent in our treatment of all stakeholders. We have received awards from many states and the EPA—which normally gives you fines. I have asked our associates to disregard recent talk in Washington about reducing environmental standards. Because we see environmental leadership as a matter of Justice, we continue to be very proactive.

While maintaining most of our manufacturing in the US, we have also opened two plants, in Mexico and Honduras. In both places, we maintain similar environmental, safety, and social responsibility standards as we do in our US facilities, even though this commitment is not legally required.

Leading with Justice may be the hardest thing a leader must do. It requires a willingness to lose when an underlying moral principle is more important than winning. It requires being open to respectful conflict among people with different points of view. It requires the readiness to change

direction when you are wrong, and the courage to stand firm when you are right. And it requires the ability to say "no" when you're asked to take a step that your conscience will not permit.

As these stories illustrate, succeeding in a multicultural world creates serious demands that call for activism on the part of corporate leaders.

It requires us to be accessible to all, no matter how their backgrounds and values differ from our own.

It requires us to set priorities wisely—to establish core values and live by them. And it requires us to treat all people with Justice, even in times of stress and conflict.

As twenty-first century leaders, we have no choice but to accept these challenges. We can't reverse the trends that are producing a more diverse, complex world. But even if we could, I don't think we should. Leading actively in a diverse world is hard—but like many hard things, it is also very rewarding.

I look forward to welcoming each of you to the ranks of global leaders as we address together the exciting challenges of the years to come!