

Masters of Scale: Rapid Response Transcript – Jeff Jones

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JEFF JONES: Every day there's something at stake. There are about 150 million people a year in America that pay taxes, and about 80 million of them get help from somebody else.

We are improving the quality of what we do. We're improving the way we connect with people. We're improving how we serve consumers and small business owners. We ended up growing the business about 3 percent through all this. When you hear from people how much they disagree with you, it hurts, but it's what leadership is about.

It's really important to me personally that I lead this company from that same set of values of what it means to be an owner, and what it means to put it on the line, and what it means to serve others.

BOB SAFIAN: That's Jeff Jones, CEO of tax-preparation firm H&R Block. With financial uncertainty still coursing through the economy, H&R Block has an unparalleled vantage point to assess what is going on, with thousands of local offices all across the country. And Jeff isn't shy about sharing what he's seeing.

I'm Bob Safian, former editor of *Fast Company*, founder of The Flux Group and host of Masters of Scale: Rapid Response. I wanted to talk with Jeff because he's anchored on small business and entrepreneurship as the key factor in restoring America's financial health.

H&R Block recently conducted an in-depth survey of thousands of small businesses. The results show that while many of us have gotten more used to living in a pandemic, small business owners have experienced rising stress and anxiety. Jeff is trying to address that, even as he holds firm to the conviction that the resilience of entrepreneurs will eventually overcome all hurdles.

[THEME MUSIC]

SAFIAN: I'm Bob Safian. I'm here with Jeff Jones, the CEO of H&R Block. Jeff is joining us from his home outside Kansas City as I ask my questions from my home in New York. Jeff, thanks for joining us.

JONES: I'm so happy to be here, Bob. Good to see you and hear your voice.

SAFIAN: Yeah. The last time we saw each other, I think, was at South by Southwest in Austin. I'm not sure. I was editor of *Fast Company*. You were CMO at Target, right?

JONES: I think that's about right, yeah. It's been a while.

SAFIAN: Yeah. Then you became president of Uber in one of the most tumultuous times for any company. There were internal and external pressures, wracked the organization and the leadership team. With the pandemic, now you've been through another unprecedented challenge. So I'm curious, just to start, how did that six months at Uber compare to the last six months? Were there any lessons you were able to apply, or is it just completely different?

JONES: Well, thank you for skipping over the [Target data breach](#), which preceded Uber. I think for a man that turned 53 today, I've been through my share of crises, but that's the world we live in. I think one of the great lessons for me is we live in a tumultuous, uncertain, unpredictable world. And even though those three situations – Target, Uber, and the pandemic – are all totally different, there are absolutely key learnings and themes that I think are important to learn from, because there will be something else.

SAFIAN: Yeah. It never stopped. By the way, happy birthday.

JONES: Thank you.

SAFIAN: Thank you for spending it with us. So, when COVID-19 hit, we were in the heat of the traditional tax season and then everything got turned upside down. So how was H&R Block's business impacted?

JONES: Well, the punchline is, we ended up growing the business about 3% through all this, but there was very, very, very difficult days. But I think like so many companies did, the beginning was, "What's happening, and how serious is this? And what do we need to do, and what's the right direction?"

And we run a large digital business, but we also have 10,000 physical locations with tax professionals serving other people in person. And so there were days and weeks of just incredible uncertainty, every city, county, and state having different operating orders in place. And we basically came down to a few principles. Number one is: Protect our people, do everything we can to keep them safe, but also remember we're in the business of helping people get refunds.

So on top of all this is the economic uncertainty, unemployment, job loss – so people needed the refunds more than ever. We really had to make sure we could still serve people. And there were days when we put in place thousands, literally thousands, of different operating models at a very local level to stay open and serve clients. But you zoom out and realize we learned a lot, people innovated a lot. They're incredibly resilient. And at the end of the day, we were able to serve more clients this year than we did a year ago, and that's before the issue of moving the tax deadline kicked into place.

SAFIAN: Yeah. Some companies that were already digitally based or digitally prepared seemed to fare better. Was your business prepared enough? Are there places where you maybe wish you were a little further along?

JONES: Absolutely. And just a rewind, I've just celebrated my third anniversary in this role, and one of the very first things we did was begin making significant investments in all facets of our technology stack in order to enable these kinds of capabilities. So thank goodness we had been on this journey, and in many ways were prepared.

We absolutely saw really more consumers and more of our tax professionals using these capabilities than ever before, and we expect that to continue. For several years, we heard from our customers that they weren't interested in seeing their tax pro on video, so we didn't have video turned on. And we absolutely think that has tipped, and we will absolutely have video in place for the upcoming tax season, because the whole world has gotten accustomed to something that literally 12 months ago wasn't important.

SAFIAN: Does this mean then the in-person footprint of the business doesn't need to be the same, because so much more of it will take place through video?

JONES: I won't get too tax-wonky on you, but there are about 150 million people a year in America that pay taxes, and about 80 million of them get help from somebody. And so for those people that want help from somebody, historically they've gone to a physical place and they have met with someone in person, and all is good.

But now what's possible is our tax professionals can work from home, or the consumer can use their mobile device to upload all of their documents to us. They can review online, approve online, pay online, engage with their tax pro online. So over time, the footprint may look different. So, there are strange dynamics about financial products and privacy in the sensitive nature that I think a lot of people have comfort from that human interaction, but we absolutely see it changing.

SAFIAN: Yeah. I know you are not yourself, necessarily, a tax preparer, but what do I need to know about my tax planning in the age of COVID? Is it different? Can I go off last year's plan, or do I have to think about things differently?

JONES: It's a great question, and there's two things I would tell people. Number one is, unfortunately, given the rise in unemployment, to remember just because you are unemployed does not mean you are free from filing taxes. But really, the single biggest tip that I give everybody, and this generally doesn't apply to the most high-income people, but for the average person, you can control your tax outcome in a way that most people don't understand.

So if you think about tax planning, and you're strategic about your withholdings on your W-4, you can really make a decision. Do I want to get a bigger refund, or do I want to have more money in my check every pay period? And it is shocking, Bob, how many people never change their W-4, never think about that planning decision, changes in their life. They just keep it the same. And that's a real important key that everyone can do and feel like you're more in control of what's happening with your taxes.

SAFIAN: You can manage that cashflow yourself.

JONES: Correct. That's right, and it's a choice.

SAFIAN: So among the hardest hit businesses financially by COVID-19 have been small businesses. And I know you launched some special services, a COVID-19 resource hub, help in navigating the CARES Act and the Payroll Protection Plan, some free P&L services, which sound like they were eye-opening for some less sophisticated businesses, and a no-fee banking and bookkeeping product called Wave Money. Why is supporting entrepreneurship important to you? I mean, is it a business decision? Is it a moral or a community decision, a personal decision?

JONES: Can my answer be all the above?

SAFIAN: Sure.

JONES: I mean, most people don't know that in about 1945-46, Henry Bloch borrowed \$5,000 to start a company doing bookkeeping for small businesses. So literally from the very beginning of the company, we have been serving small businesses. Today, about a third of our business is franchised. So we have about 1,200 independent, small business owners inside the Block family.

I myself am the son of mom-and-pop entrepreneurs; it's how I grew up. Restaurants, nightclubs, video rental stores, tanning salon owners. So I literally come from a family of owning and running small businesses. This company has a really important platform we call "Make Every Block Better," and that is what we call our community impact platform. We operate in every single congressional district in America. And so we are embedded in the fabrics of communities, and despite the tragedy that's happening to small business owners today, I mean, we are incredibly bullish on small business and the power of entrepreneurship to drive this country. And so it's really all those reasons together.

SAFIAN: Growing up, you experienced the challenges when things get hard for small businesses.

JONES: We experienced bankruptcy when I was a high school kid. My mom and dad taught me so much about work ethic, and service, and hustle. They were uneducated;

they didn't graduate from college, but always found a way. And that included having to rebuild from scratch because they went bankrupt and lost everything. Our franchisees who every single day put ownership on the line, it's really important to me personally, that I lead this company from that same set of values of what it means to be an owner, and what it means to put it on the line and what it means to serve others.

SAFIAN: I think a lot of small businesses and entrepreneurs right now are worried about the prospect of bankruptcy with so much uncertainty in the economic environment. I know that you guys initiated some research around small businesses. The first wave came out over the summer, the second wave came out more recently. And among the most bracing finds, at least to me in the most recent wave, is that small business owners seem to be more stressed and worried now than they were a few months ago. That, even as in some ways we're getting more used to this pandemic, that if you're running a small business, things might seem more uncomfortable.

JONES: That's absolutely true. And one of the things I know about small business owners is, you have a sense of confidence in yourself, but you also really just solve problems that are right in front of you. You're working the front line, you're working on marketing, you're paying the bills, you're doing sourcing, you're doing everything, and so you never get a chance to step back and think about, "How do I solve this problem in a more lasting way?" So I know that's what small business owners are feeling today, is that pressure of "What's in front of me?"

And even though they've been through this now for several months, every day there's more uncertainty about, are we in the clear, are we not? Normally for a lot of retailers, the holiday season is a very important part of their year. And one of the things that we learned also was the average small business owner has really struggled with the transition to e-commerce. And so they see this crossroads where they know they need to connect more digitally with their customers, they were really unprepared to do that, and they're kind of going at it every single day. They don't ask for help. You probably saw that in the study.

SAFIAN: Yeah.

JONES: I mean, they don't take the time to ask for help. And there are so many resources that could be helping them more.

SAFIAN: Do you think this indicates that there's more risk looming than maybe Wall Street recognizes, across the fabric of the economy?

JONES: You know, in general, I think we understand the risks pretty well. You track the number of starts and closes in small business owners. You look at job creation and unemployment. Keep in mind that pre-COVID there were about 31 million small business

owners in America, about 100,000 new started every month, and about 90% of them were service-based businesses. Service-based businesses have been hit for sure, but the retail based, the shop, the restaurant, et cetera, those are the ones that have struggled the most, but I think we have a pretty good handle on that problem.

SAFIAN: Big players like your old place Target are doing pretty well. Sometimes at the expense of smaller businesses. Larger enterprises can also raise money on the capital markets and stay solvent, even when cashflow is negative, something that's not available to everyone else, is that fair competitively? Is that good for our economy?

JONES: You know, it's hard to say if it's good or bad, I think it has always been true. When we think about small business owners, we're not thinking about the tech elite on the coast that have access to private equity or VC funds. I mean, we're talking about the lawn mowing shop or the flower shop. They don't have the same access to capital: it's why it's so important to get help with your financials. When we do someone's taxes as a small business owner, we give them a P&L review, and as shocking as it is, many of them have never seen their own P&L.

And so there are things they can do day-to-day to watch cost, and manage cashflow, and think about ratios in their business. And that's why, again, we encourage them to get help. There are so many resources, and they may not have access to raising money, but controlling the dollars they have, are fully in their control.

SAFIAN: You mentioned that you have offices and franchisees in so many places around the country, all over the place, very different communities, with very different social and political reactions to the pandemic. How do you manage that part of it?

JONES: So right off the bat, in a franchise business, there is a very clear defined set of governing documents that we cannot mandate things. So they have a lot of flexibility, that's about a third of the business. We help them with providing, for example, coming up in this tax season, plexiglass en masse, to take that cost off their plate. And we talk a lot about our purpose as a company is to provide, help, and inspire confidence in our clients and communities. And so, through that lens of purpose, people generally know how to do the right things. They're guided by the same principle, even though we can't always mandate with franchisees exactly what to do.

SAFIAN: And for your owned operations, is there a national policy, or does it depend on the location?

JONES: So in the company locations in general, we have a set of standard operating procedures. Those are very clearly defined things that we instruct against and measure. At the local level though, an office leader, for example, we really entrust them to make the kind of decisions, to deal with the things that come up individually with a client that

may have an issue, or someone that may be dissatisfied. Those things we entrust our team to solve with the client, and we don't try to put a lot of policies in place there.

SAFIAN: This year's brought a lot of increased pressure for businesses and business leaders to take positions on social and political topics. Some organizations have even resisted using the phrase Black Lives Matter, seeing it as divisive, you haven't avoided it. What is the role, the responsibility of a business and a CEO on issues that are more social or political?

JONES: It's one of the most important debates we have with our board and as a company, because I view there to be a spectrum from what I would just loosely judge doing the right thing, all the way to corporate activism. In the case of all of the social unrest and racial inequity that the country is dealing with, that to me is just good business and personal and the right thing to do.

Just a quick story, a couple of days after George Floyd's murder, I just sent an email out to a handful of our revenue leaders. Three of our four revenue leaders are Black, and I just sent them a note and said, "How are you doing?" Early in the morning. And they couldn't believe I asked, they responded back and I could feel all of the emotion in the email saying, "I'm not doing well."

And that prompted a conversation which prompted another email, which prompted a convening to say, "We have so many African American associates. They are all hurting right now. And we have to do something about that. We can not be quiet here." So we weren't, and I took a public stand. The company, with my voice, took a public stand. We made very specific sets of actions and commitments we're making. We're reporting back on all those things.

But, Bob, like the country, that wasn't met with uniform support. I got emails, I got phone calls. I had people on all social media that work with us, say "I disagree," or, the famous All Lives Matter, not Black Lives Matter. And why are we supporting that organization?

I think this is a place where I always listen. I will engage with anybody that wants to have a respected conversation, but I also was clear that we have a set of values as a company, and we're going to live by those values. And I'm sorry if you disagree, but that's how we're going to do things.

SAFIAN: Is there anything specific that you learned going through this, the back and forth?

JONES: Well so, A, you learn that as a leader, no matter what your beliefs or what your stand, if you are staying true to being an inclusive environment, you have to listen to everyone. Everyone has to have a voice. You've got to create the space to debate. That doesn't mean everyone has the same decision-making obviously. I'm accountable for everything we decide to do and that's the standard I hold myself to, but that's just a

reminder. Creating the space for those conversations is really hard. And when you hear from people how much they disagree with you, it hurts, but it's what leadership is about. We also made a mistake where in one of my LinkedIn posts, we featured an image with the post and the image was of a Black associate who is wearing his "Block Pride" T-shirt.

And we had a long debate about: Is this right or wrong to use this image? And we consulted with that associate and he consulted with his pastor, with his friends, with his wife, and ultimately said, "I feel so proud of what we're doing. I'm comfortable with this image of me being on the post." Long story short, he got a lot of flak for that. And so he and I had a private conversation where I said to him, "Do you want us to take it down?" And as soon as I said it, Bob, I realized I'd made a mistake. Because I now put the decision on him. Literally in the moment, I said, "Erase that. Are you okay if I take it down?" And he said, "Yes." And so we reversed course, and we changed the image. You could have imagined all the debates, leave it up, it looks bad if we take it down. We made a mistake. And I made another mistake by unintentionally feeling like I was offloading that decision on him, and that was the wrong thing to do.

SAFIAN: Going through all of this, do you feel like it hurt the business, it helped the business, or is that not the lens that you judge it through?

JONES: I don't judge it through that lens. I have such a strong belief that as a CEO and as a company, in this case, given who we serve and given how many Black associates we have, we had no choice. And if there is somebody who disagrees with that, it's not political to me, it's about humanity. And that's just a really important line that not everyone will agree with, but it's a stance we've taken.

SAFIAN: It's hard not to be political these days, because everything becomes political, it seems to be.

JONES: Right.

SAFIAN: Is there anything that your organization is doing around the election?

JONES: Yeah. So if you go to hrblock.com right now, you'll see, at the top of our website, a really simple banner that encourages people to register and vote. We have a big platform and we think it's important, no matter what your beliefs are, to use your voice. And so we do that. We obviously encourage people internally, through internal communications, to vote, but what we don't do is advocate for a candidate, or even the line of weighing in on "is mail-in voting safe or not," because that is political. So we just said, "We're not going to have that debate, we're just going to encourage everyone to use your voice, register and make sure you vote."

SAFIAN: There's just so many things going on this year. With all the psychological and the emotional challenges around all of this, are you stressed?

JONES: Big time. Yes.

SAFIAN: How do you manage that stress? What do you do?

JONES: I think it's the most important thing we've talked about so far, because we're in an environment right now that no one's ever been in. It's easy to lift your head up and just see a world that seems like it's on fire. I'm really blessed to have a comfortable home with great relationships and kids, and that's not true for everybody.

Every time I have a town hall with our team, I start or end on the topic of mindfulness and well-being. And I try to role-model that through something simple, like how I spend my time, and going for walks in the middle of the day and refusing to take calls at certain times and something that simple to make people understand: I'm asking you to take care of yourself. This is a hard game that we want to play for a long time, and we have to take care of ourselves, and we have to take care of each other.

SAFIAN: What do you feel like is at stake in this moment for your business?

JONES: Well, keep in mind for our business and why I came here was to lead a transformation of a very successful company, really, to ensure its viability for the future. Every day there's something at stake for us. We are improving the quality of what we do. We're improving the way we connect with people. We're improving how we serve consumers and small business owners, and doing that as a public company has a lot at stake.

We're guided by our customers, and we have duty to our investors. That's really how I show up every day, is thinking about that relationship. Then when you put that in front of the backdrop of election and societal unrest and racial inequity and the pandemic's still alive, it's really hard. I definitely have those days of being stressed out, but I think what keeps me going and what I talk a lot about with the team is, we have a common purpose and we have each other. When those two things stay close and aligned and tight, then anything's possible.

SAFIAN: As you prepare the company for the future, a lot of folks talk about the impact that technology is going to have, artificial intelligence that could take on certain tax preparation or other kinds of services. Do you think software advances like that are going to mean fewer jobs for humans in your business?

JONES: I think the jobs will change, and we see that already. We're deploying ML [machine learning] in multiple different ways in the business today, on automation of

processes, on something really important like how to provide the most impactful tax tips and recommendations to a client. So I think what we see happening is the part about data entry and the part about forms and data, that part of the job will dramatically change.

The value creation is when you and I talk to each other and I'm able to offer you advice because of what I know about you that's relevant and personal to you, to help you achieve what you want to achieve. That's where we talk about it as doing everything humanly possible, our human advantage, and I think that's the shift that we're not running from, we're leaning into. Because we have 80,000 tax professionals that are extraordinary at what they do. I want them to spend more time providing help and value and less time on entering stuff in the keyboard.

SAFIAN: A lot of folks are using virtual agents for a lot of parts of their engagement with their customers. How does that shift the services and the way they're provided?

JONES: When people talk about virtual services, it can mean different things, and we're delivering multiple levels of this today. Level one is, it's automated chatbots. They get smarter and smarter through AI, and so you can just get self-help in a digital product with really great answers, level one.

Level two is: I want to talk to somebody live because there's so many nuances of tax, and so today with a product we have called Online Assist, you can push a button, we have a one-minute SLA, service level agreement, for how fast you get connected to a human, and they give you unlimited answers to your questions.

Level three is: I don't want to do any of this stuff, but I don't have time to go to an office. You can connect with us digitally, get us everything digitally, we do all of the work. You do nothing. We give it to you to review digitally. You sign and pay digitally, but because we did the work, we stand behind you in case a question comes up or a problem arises. So deploying smart automation in humans is happening at those three levels for us today.

SAFIAN: Well, that's great. Thank you. Well, Jeff, I just want to say thank you so much for spending time with us and sharing all of your insights and your experiences. I really appreciate it.

JONES: It's great to be with you, Bob. Good to see you.