

U.S. Senate Committee on Homeland Security and Governmental Affairs
Opening Statement
For the Nomination of Scott Kapor
to be Director, Office of Personnel Management

Chairman Paul, Ranking Member Peters and distinguished members of the Homeland Security and Government Affairs Committee. Thank you for the opportunity to appear before you today in connection with my confirmation hearing for the Director of the Office of Personnel Management.

I'd also like to thank President Trump for providing me this unique and important opportunity to be a part of his administration.

I'd like to take a few minutes introducing myself and sharing some perspectives on the federal workforce more broadly and on OPM's role in that specifically. I also look forward to answering any questions you may have.

By way of brief introduction, I grew up in Houston, TX, and made my way to Northern California via Stanford University. With a few brief tours in Houston and Cary, North Carolina, I have lived in California for the better part of 35 years. My wife, Laura, and I have been married for nearly 28 years and have been blessed with three amazing daughters – Ashlee, Lexi and Amanda.

I graduated from Stanford Law School in 1996, the right time and right place given that it was the early days of the great Internet Boom – followed of course by an even more spectacular bust starting in mid-2000. Except for one year during which I clerked for the Honorable Jerry Smith on the Fifth Circuit Court of Appeals, I have been in the technology industry my entire professional career, starting first as an investment banker advising tech companies on financings and acquisitions.

My second stroke of professional luck was meeting Marc Andreessen and Ben Horowitz in September 1999 when they were starting a technology company called Loudcloud. We managed Loudcloud through the highs and lows of the Dotcom Boom and Bust, including taking Loudcloud public in 2001 and eventually selling the business for \$1.6 billion to Hewlett Packard in 2007.

Along the way, I led a variety of domestic and global functions for the business – from Finance to Engineering to International Business Development to Field Operations. At Hewlett Packard, I led the global support business for HP Software, a \$1 billion business with 1,300 team members deployed across the world.

In 2009, Marc Andreessen and Ben Horowitz invited me to start a new venture capital business with them – aptly named Andreessen Horowitz, or a16z – to back promising early-stage technology startups. The three of us started with an inaugural \$300 million fund; today, we employ 600 people and manage more than \$45 billion in institutional assets.

Nothing has been more transformational for me than the opportunity to build and manage what has become one of the most successful venture capital firms in the US and to invest in and sit on the boards of some of the most dynamic US-based technology companies. We believe in the power of entrepreneurship and have dedicated our careers to ensuring that America remains the envy of the world in terms of attracting and retaining the world's best innovators and start-ups.

Along the way, I have also had the opportunity to give back in the form of non-profit service. Among other things, I serve as a board member of St Jude Children's Research Hospital in Memphis, TN, and teach entrepreneurship at the Stanford Graduate School of Business.

Having spent my entire career in the private sector, you might rightly ask: Why am I sitting here today and what do I think I can bring to the federal government and to OPM?

Simply put, I am here for two reasons that I believe fully align with the broader goals of the Trump Administration.

First, the US is on an unsustainable fiscal path. We have \$36 trillion in debt and add to that each year to the tune of approximately \$2 trillion. Getting our fiscal house in order is not only necessary but is a matter of fundamental fairness to the American people.

It's unfair that ordinary Americans must find a way to live within their financial means, yet the government is free to spend as it wishes, piling up an insurmountable amount of debt on Americans' children and grandchildren. It's not a question of if a fiscal crisis will occur, but simply when.

If confirmed, I intend to work with the President, Congress and each of the government agencies to help do the heavy lifting required to right our financial footing. Every American knows that they simply can't afford to be all things to all people; it's time that the federal government recognizes the same.

And I believe we should do this in a way that is "surgical" – as President Trump has said – transparent, and that respects the dignity and humanity of the hard-working members of the federal workforce.

Second, just as the US is the world leader in so many important industries, the federal workforce should be the envy of world – and not only in terms of efficiency. Rather, we should also enable hard-working federal employees to do their absolute best work every day on behalf of the American people – working in an environment that rewards innovation, measured risk-taking, and merit versus one that rewards legacy, risk-avoidance at all costs and tenure.

This too is a matter of fairness – it's unfair that dedicated federal employees are hamstrung by an organizational system not of their own doing that prohibits them from best serving the American people.

If confirmed, I intend to work with the President, Congress and each of the government agencies to design from the ground-up a talent recruitment, development and management system that

empowers federal employees to provide the best services to all Americans – one in which innovative thinking and efficiency drive decision-making and personal growth opportunities.

And, why am I the right person for the job?

Yes, I come from the private sector and, yes, I recognize that the government is not the private sector. Rightly so, the government may have different goals and objectives that should inform our thinking.

But the fundamentals of organizational design are the same, whether in non-profits, the government or in the private sector. And this is where I believe that my professional experiences make me uniquely suited for this role.

I have led numerous organizations – from 5-10 person single office teams to 1,300 person global, distributed teams.

As an operator, I have stared into the depths of failure – having to lay-off nearly 80% of our Loudcloud workforce at the peak of the DotCom bust. And I have celebrated the highs of success – seeing a company go public and achieve its mission. I have also sat on many for-profit and non-profit boards, experiencing the same challenges but from the vantage point of a board member versus as a principal.

Through these experiences, I have learned through trial and error the principles that govern my organizational thinking today.

First, we must start with the objectives – I think we can all agree that the objectives of the federal government are to provide the best possible services to the American people, while preserving and protecting the long-term financial viability of our incredible country. Sustained, excessive deficit spending violates this objective.

Second, incentives drive behavior. If we want high quality services delivered efficiently, then we need to have a set of incentives, corresponding metrics and a performance management system that rewards the desired behavior. A system that largely rewards tenure and where power is derived from who has the biggest budget and the most headcount does not achieve that. If we truly care about efficiency, we should reward it.

Third, accountability matters. We have a broken performance management system, as evidenced by the fact that 60% of federal employees are ranked above “meeting expectations” and 0.4% are ranked as “below expectations.” Other than in Lake Wobegon, this simply defies logic.

More importantly, this system is unfair to those federal employees who are in fact top performers; A players want to be surrounded by other A players. We should provide no less for our government workforce.

Fourth, communication, leadership and transparency matter. Great leaders rally team members around the mission, communicate not just the “what” but also the “why”, and are transparent in

their actions, whether popular or not. Particularly in situations that require restructuring, operating under the cloak of darkness or secrecy simply breeds distrust. The employees who remain post-restructuring will judge their leaders based on how they handled themselves during the restructuring; getting this right is critical.

Finally, culture matters. As my partner Ben Horowitz says, “Culture is what team members do when the leader is not in the room; it’s a set of actions, not a set of beliefs.” Where the culture is strong, organizations – even ones that undergo substantial changes – are very resilient.

If confirmed, my hope is simple, albeit ambitious: For the federal government to be the shining beacon on which all great organizations are modeled.

We should honor, reward and enable those current hardworking, dedicated members of our team who come to work every day in service of the American people, and we should augment our ranks by attracting the best and brightest from our universities, community colleges and trade schools, as well as from the private sector.

As a matter of fundamental fairness, every federal employee should work in an innovative environment where they are surrounded by other smart, hard-working people; they have a manager who cares about and invests in their career development; they can progress in their career and develop new skills; and they are fairly rewarded for the value they create and held accountable to the organization’s objectives.

As Americans, we should demand no less.

I thank you for your time and look forward to your questions.