Bitcoin: MBA Entrepreneurs Exploit Tech Behind Cryptocurrencies

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Waves of entrepreneurs preparing to exploit the disruptive technology behind bitcoin have studied MBA programs at the world's top business schools.

Adam White believes that bitcoin will democratize finance. The Harvard MBA used to serve as a captain in the US Air Force and worked at Bain & Company, a leading consultancy firm. Now he's an entrepreneur, helping to drive the nascent currency through Coinbase, a start-up that recently raised $75 million in funding.

"We see bitcoin as an extremely powerful technology and it is our goal to bring the efficiencies created by the bitcoin network to the masses," says Adam, speaking to the US House of Representatives' small business committee.

He is one of a new wave of entrepreneurs preparing to exploit the technology behind the cryptocurrency who have studied at the world's top business schools.

"The underlying blockchain technology has the potential to impact the global economy on the scale of the internet," says Dan Elitzer, an MBA student at MIT Sloan who worked at Circle, a leading bitcoin start-up in the US.

The company leverages the technology behind the currency – known as the blockchain – to enable greater ease-of-use for both online and in-person payments.

The blockchain, a decentralised network where every bitcoin transfer is verified, processed and recorded, is attracting both business schools and entrepreneurs. They say it has the potential to make asset transfers cheaper, faster and more secure.

The blockchain tech relies on a complicated combination of code-breaking and crowdsourcing that bitcoin entrepreneurs say is disrupting traditional financial services providers like banks.

"The beauty of bitcoin is the blockchain... It can be applied to almost anything," says James Angel, professor of finance at Georgetown's McDonough School of Business, who has researched bitcoin.
Despite rapid falls in bitcoin prices and high-profile scandals – such as the $620 million collapse of Tokyo-based currency exchange Mt Gox – the blockchain is drawing enthusiasm from investors and banks who believe it has revolutionary potential.

For example Factom, a US start-up that helps developers build products on the blockchain, is working with the Development Bank of Singapore to store customer records in the blockchain.

David Yermack, a finance professor at NYU Stern (http://www.businessbecause.com/nyu-stern) business school who created a bitcoin course for MBA students, says there is more innovation to come in the blockchain area.

He adds that many of the major banks may also use the technology to create internal systems for transferring money between themselves or across borders.

“Mobile payment systems and the nature of money are changing very rapidly,” he says.

Coinbase's huge funding round was led by high-profile backers including the New York Stock Exchange, BBVA, the Spanish bank, and the former chief executive of Citigroup, the US multinational banking corporation.

Coinbase believes there are inherent benefits to bitcoin – the “elimination of fraud, reduction of transaction fees and monetization of new market," said Adam, whose colleague at the start-up Nick Tomaimo studied at Yale School of Management (http://www.businessbecause.com/yale-school-of-management), a leading US business school.

Nick says that the presence of high-profile investors lends credibility to the digital currency and is likely helping to accelerate its adoption.

“There is a large and rapidly growing community of developers, merchants, users, miners and investors… That believe in democratizing the financial markets," says Nick, who worked at venture capital group Softbank Capital before joining Coinbase, in a statement.

Founded in 2012, Coinbase runs more than two-million wallets for consumers, and hosts 7,000 computer programmers who are building applications on its platform.

Dan at MIT Sloan, who also founded the MIT Bitcoin Club, believes there are already numerous career opportunities in the bitcoin industry.

He adds that he worked with MBA students from Wharton School, Harvard and Berkley’s Haas School of Business during his summer internship at Circle in Boston.

Circle's co-founder, Paul Camp, is a former JPMorgan Chase executive and is also a graduate of the Harvard MBA program.

Business schools are beginning to teach MBA students (http://www.businessbecause.com/news/full-time- mba/3120/business-schools-bet-on-bitcoin) about the innovative bitcoin space, and some professors believe there are opportunities for start-ups to make their mark in this area.

Campbell Harvey is a professor at the Fuqua School of Business (http://www.businessbecause.com/duke-university-fuqua-school-of-business) who developed a course for MBA students that explores the disruptive Bitcoin blockchain.

“This decentralized technology has the potential to threaten centralized technologies like stock exchanges,” Campbell says.

He adds that his bitcoin program is geared towards entrepreneurs. “The single deliverable in the course is a business proposal in the crypto[currency] space,” he says.

He estimates that there are at least 500 bitcoin-related start-ups which employ approximately 10,000 people full-time. “Bitcoin is becoming mainstream,” he says.

Campbell adds that he expects venture funding to double in the sector in 2015. “In the early days of bitcoin, companies did not have the benefit of the professional advice of these venture capitalists,” he says.

James at Georgetown McDonough believes there will be more opportunities for entrepreneurs in the business of cryptocurrencies.
“There is a revolution going on in the payment space right now,” he says. But he adds: “Bitcoin is only part of the action.”

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