Nascent Bitcoin Industry Mines Jobs For Business Students

Written by Seb Murray (http://www.businessbecause.com/resume/seb-murray) | MBA Careers | Monday 2nd March 2015 12:02:00 GMT

The burgeoning bitcoin industry has raised huge investment and its companies employ thousands. Its rapid growth and innovation is attracting MBA students and top business schools.

The revolutionary potential of cryptocurrencies is well documented but nascent currency platforms got a ringing endorsement last year when New York University began teaching its MBA students the business of bitcoin.

Innovation is a focus for many businesses so it should come as no surprise that MBA students are taking an interest in the disruptive nature of virtual cash.

But the digitisation of currencies is drawing the attentions of business schools that were once famed for their austere curricula and rigid financial training.

The activists promoting the new breeds of virtual currency claim bitcoin will replace central bank money and allow for digital transactions of almost any financial asset.

“Bitcoin has the potential to fundamentally change the way business is conducted,” says Campbell Harvey, a professor at the Fuqua School of Business (http://www.fuqua.duke.edu/) who developed a course for MBAs that explores bitcoin's disruptive technology.

Bitcoin is touted as enabling consumers to bypass the high commission charges and regulatory restrictions of big banks and other foreign exchange providers.

“An ecosystem is emerging in which anyone can innovate and improve asset transfer,” says Sean Neville, co-founder of Circle (https://www.circle.com/en), a leading bitcoin start-up that recently poached Paul Camp, a former JPMorgan Chase executive and Harvard MBA, as its chief financial officer.

But bitcoin's anonymity has gained it a reputation as the currency of choice for criminals. Its volatility has been compounded by high-profile scandals such as the $620 million collapse of the Tokyo-based currency exchange Mt Gox.

The price of a bitcoin broke through the $1,200 level in 2013 but has since crashed to trade below $250 for much of this year.

It is just such themes that are being explored by MBA students at NYU's Stern School of Business (http://www.stern.nyu.edu/). “There are numerous problems with bitcoin,” says David Yermack, a finance professor at Stern who
created the course. He cites bitcoin’s weak governance structure as an impediment to widespread adoption of the currency.

But he sees potential in bitcoin’s underlying technology. Known as the blockchain, the tech allows ownership of a bitcoin to be transferred between one owner and another. “There will be a lot of innovation in this area,” says David.

A growing number of bitcoin companies are starting to work within the traditional financial market, such as Bitcoin Deutschland AG, which last month joined Germany’s Fidor Bank to launch an express bitcoin trading platform – the first of its kind.

David says that many of the major banks may also use blockchain technology to create internal systems for transferring money across borders or between banks.

“Mobile payment systems and the nature of money are changing very rapidly, and any business school student should be aware of this,” he says.

The presence of traditional financial services firms is seen as an indicator of growing investor interest in cryptocurrencies.

Investors have poured capital into bitcoin ventures like Xapo, Blockstream and Coinbase – a firm which recently raised $75 million in a funding round led by investors including the New York Stock Exchange and BBVA, the Spanish bank – that use the blockchain.

“They [investors] decided to embrace the future, rather than take the chance of being left behind in its dust,” says professor Campbell at Fuqua.

Bitcoin has been breaking into (http://www.businessbecause.com/news/full-time-mba/3120/business-schools-bet-on-bitcoin) business schools for the past few years, with academics at Washington’s McDonough School of Business and Trinity College Dublin researching into the legal and business case for its use over traditional currencies.

Courses are typically cross-functional and demand among students – MBA, law and engineering – has been high.

Professor Campbell says that he has had to cap his class numbers at Fuqua. “Much of business education is focused on the past… My course is focused on the future.”

Fuqua’s program will focus on the blockchain, the mathematical foundations of encryption and the legal environment of bitcoin.

Professor Campbell adds that people focus on the daily fluctuations in the price of bitcoin and do not see the value of the infrastructure. “Anyone who works in finance needs to be aware of the potential,” he says.

Dan Elitzer is an MBA student at MIT’s Sloan School of Management (http://www.businessbecause.com/mit-sloan-school-of-management) who founded the MIT Bitcoin Club, a student-led society that seeks to drive innovation in bitcoin and promote the benefits of the currency as a financial platform.

Dan says that bitcoin and its blockchain technology have the potential to impact the global economy on a scale similar to the disruption caused by the internet.

“We are still in the early days but as future leaders of industry, business students need to be alert to how bitcoin could change longstanding assumptions,” he says.

Dan spent his summer working an internship at bitcoin company Circle in Boston, and the former financial analyst thinks there are more career opportunities to be had in the nascent industry.

Professor Campbell estimates that approximately 10,000 people work full-time in this space in around 500 start-up businesses.

His enthusiasm for bitcoin is echoed by Jonathan Harvey-Buschel, the current president of the MIT Bitcoin Club (http://bitcoin.mit.edu/), who says that there are thousands of people working for companies delivering products that interface with the bitcoin network.

“Bitcoin as an industry is still in its infancy,” he says. “[But] it will only continue to grow and disrupt other areas.”

Yet growth is dependent on more companies and consumers accepting the virtual currency.
There are concerns over whether mainstream adoption can ever happen in an environment in which consumer protection and price volatility are still widely criticised.

“If Bitcoin is going to grow into an international, trusted platform it needs to start the regulatory conversation with pre-emptive action,” says Jonathan at MIT.

The stealing of $5 million of coins from the UK-based bitcoin exchange Bitstamp and other hackings and frauds have chipped away at the fledgling market’s reputation.

James Angel, professor of finance at McDonough School, says bitcoin also has to overcome the incumbent advantage of existing payment networks and be better than the other digital entrants.

“For bitcoin to succeed, it has to be more than just a cool technology beloved by cyber-libertarians,” he says.

It is too volatile today to be a reliable store of value, says Professor Campbell at Fuqua, but as the market becomes more liquid some of that volatility will be reduced. “Bitcoin is becoming mainstream,” he adds.