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## FinTech: 10 B-School Experts Reveal Predictions For Disruption In Financial Services

Finance faces unprecedented disruption, spurred by technology

Written by Seb Murray (<http://www.businessbecause.com/resume/seb-murray>) | Making The Headlines | Tuesday 22nd December 2015 22:34:00 GMT



6 Banks face the threat of a wave of so-called "fintech" start-ups

2 The financial services sector, long a top employer of business school grads, faces the winds of change. Unprecedented disruption, spurred by technology, abounds.

Digital services and payments, and even the nascent cryptocurrency bitcoin are all edging their way into the industry. Meanwhile, a cyber security focus and the threat of hackers looms large.

Banks and other large institutions also face challenges from the wave of so-called "fintech" start-ups.

"The finance world is just starting to get disrupted. Technologies like blockchain are bound to change the way we do business in the coming years," says Paris de l'Etraz, managing director of IE Business School

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(<http://www.businessbecause.com/ie-business-school>)'s Venture Lab.

BusinessBecause spoke to 10 b-school experts on how technology and innovation is disrupting financial services and shaping its future.

## 1.

Rune Fiskaali Ernst, from the Department of Financial Management and Control at ESADE Business School (<http://www.businessbecause.com/esade-business-school>), does not believe banks have been slow to adopt digital technologies. "Interest rates remain low and this implies the income has to be generated from other sources than traditional banking, and in that sense, financial innovation has probably become more of a focus area," he says.

"The first signs of economic improvement may indicate the crisis has come closer to an end, but in banking, as well as in almost all other sectors, cost-reduction is still an issue," he adds.

## 2.

Jennifer Boynton, assistant dean at Georgetown's McDonough School of Business, says the impact of innovation on the financial services industry is creating new career opportunities.

"We are seeing the most demand for digital skills in the areas of sales and trading, and consumer banking," she says, adding that new jobs abound but not necessarily at the MBA level.

"In sales and trading, there is a higher need for PhDs and quantitative experts," she says. "MBAs are still valuable for strategy roles in consumer banking, developing ways to leverage technology to reduce costs and enhance the customer experience."

## 3.

Piotr Danisewicz at the department of accounting and finance at Lancaster University Management School (<http://www.businessbecause.com/lancaster-university-management-school>), says that banks face competition from technology firms.

"There has been growth in the provision of bank services from non-financial firms. We have seen recently the rise of 'payday lenders' offering loans to customers, and commerce lenders like Tesco, so it's not only tech firms but also firms from other industries," he says.



"Alternative financial services providers very often focus on customers that cannot access services provided by banks," he says. "For example if a customer wants to get a loan [with a bank] but his credit score is not sufficient."

## 4.

Gil Yancey at the George Washington University (<http://www.businessbecause.com/the-george-washington-university-school-of-business-gwsb>) School of Business, highlights the growing use of self-service digital platforms for a wide range of financial services functions.

The newest trend is using self-serve offerings in wealth management and private banking, he says: "This area should continue to grow as many functions formerly done in person will be done via phone apps." Much of the demand is being driven by increased regulatory requirements and cost

efficiency, he adds.

## 5.

David Yermack (<http://www.stern.nyu.edu/faculty/bio/david-yermack>), professor of finance at NYU Stern School of Business, is excited by the prospect of the blockchain — the technology underpinning the cryptocurrency bitcoin. “This is maybe the most interesting aspect of bitcoin,” he says.



“The blockchain can be adapted to many purposes, including property registration, accounting, and enforcement of financial contracts and so forth. I think there will be a lot of innovation in this area.

“Many of the major banks may also use blockchain technology to create internal systems for transferring money across borders or between banks.”



## 6.

Professor Campbell Harvey ([http://www.fuqua.duke.edu/faculty\\_research/faculty\\_directory/harvey/](http://www.fuqua.duke.edu/faculty_research/faculty_directory/harvey/)) at Duke’s Fuqua School of Business says the bitcoin blockchain has the potential to “threaten centralized technologies like stock exchanges”. “Bitcoin is becoming mainstream,” he says. But he also highlights potential pitfalls, pointing to the \$460 million collapse of bitcoin exchange Mt. Gox.

“Bitcoin is a nascent technology. Everyone knows that it is too volatile today to be a reliable store of value. However, as the market becomes more liquid and more and more people use it to transact, some of that volatility will be reduced,” he says.

“In addition,” he adds, “the new firms in this space are backed by high profile venture capitalists. In the early days of bitcoin, companies did not have the benefit of the professional advice of these VCs.”



## 7.

With growing fears of cyber attacks, stoked by high-profile hacks on firms like JPMorgan Chase, in the financial sectors “cybersecurity investments must now be part of management’s planning and decision making”, according to Jeff Tjiptutra (<http://www.umuc.edu/cybersecurity/academics/faculty.cfm>), associate professor of computer networks and cyber security at UMUC, *pictured*.

Alan Carswell, his peer at the Cybersecurity and Information Assurance Department, adds: “For an online business, an attack that takes it offline — for example a website defacement or DDoS attack — puts it out of business until it’s fixed. Business managers have to pay attention to threats of this magnitude. Better to act than react to the threat.”



## 8.

Paul Schoonenberg at Aston Business School (<http://www.businessbecause.com/aston-business-school>) says that information technology is central to any financial institution today.

“IT is increasingly pivotal to almost every aspect of the effective running of a financial institution,” he says. “Whether through enhanced risk management and compliance procedures, creating and maintaining trading platforms or contingency planning within banking operations, IT will continue to be at the forefront.”



## 9.

Liz Moody (<http://www.open.ac.uk/people/ejm535>), senior executive education lecturer at the Open University, highlights the need for education in this space.

She says: "Fintech is changing rapidly, with new sub-sectors emerging all the time, drawing in new names, and organizations taking a customer-centric view of financial services."



She adds that "our job is to encourage critical thinking in students through learning they can readily apply in their workplace", including for those "working in or interested in innovating in this space [fintech]".

## 10.

Regina Resnick (<https://www8.gsb.columbia.edu/cbs-directory/detail/rr247>), associate dean of the Career Management Center at Columbia Business School, says the nascent sector is luring some of b-schools' brightest minds.

"There are a number of Columbia Business School students interested in the intersection of finance and technology," she says. Many are starting up their own fintech companies, she adds. "Among recent graduates, there are Jon Stein '09, founder and CEO of Betterment (<http://www.businessbecause.com/news/mba-entrepreneurs/3668/10-hottest-vc-backed-mba-startups>), and Dan Webber '08, co-founder and managing director at FXcompared.com."



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