

# A Talent Drain You Can't Ignore: Cryptocurrency

Why financial and tech companies should be worried about a talent exodus to crypto.



# Introduction

If you think the talent drain to Amazon and Google was painful, get ready for more pain from a new place. The skepticism from the media and financial industry over the viability of cryptocurrency is matched only by the embrace the emerging asset class has received from engineers and investors. Not unlike other fintech disruptions, cryptocurrency—and the underlying blockchain technology on which it is based—is already luring financial talent away from legacy firms. What's more surprising, however, is that the digital currency is also attracting top software, engineering, coding, and other talent from big-name tech companies as well. Coinbase, for example, just hired former Twitter and Salesforce executive Tina Bhatnagar to improve its customer support operations. "We're seeing more top-tier people come into the space," said Hunter Horsley, CEO of Bitwise, to CNBC, adding that applicants are coming from "both sides of the spectrum," including Google and BlackRock.

With the gap between open engineering jobs and the highly skilled talent available to fill them continuing to grow, not only will traditional financial firms such as Goldman Sachs and JP Morgan Chase have to contend with a potential exodus to cryptocurrency companies. So, too, will tech giants like Amazon, Apple, Facebook and Google. In this paper, we examine the main reasons for why cryptocurrency companies are pulling talent away from legacy financial and tech firms at an accelerated rate.

# Crypto's growth is rare and exciting.

Though not without volatile periods, cryptocurrencies are still growing rapidly—they were among the highest performing asset classes in 2017. Altcoin company Dash ended the year with a 9,265% gain, for instance. Ethereum also had a banner year, with gains of 9,162%. Litecoin, one of the oldest altcoins, closed the year with a 5,045% gain, while Bitcoin had a 1,318% increase. But none of these can begin to compare with Ripple's price performance. Ripple, the centralized bank-focused digital currency, posted a staggering 36,018% return in 2017.

The growth in crypto dovetails with last year's 72% spike in investors under the age of 35. This wave of talent joined the financial services industry just as the crash hit. "Missing the peak of finance and coming in during its decline has left millennials longing for the kind of big financial upside enjoyed by their predecessors," TD Ameritrade's CEO Tim Hockey told Business Insider. "Crypto could be that new big thing where big margins can be made." Traders, like engineers, share a high tolerance for risk and a drive to innovate. It's clear that digital currencies are attracting millennial traders who are chasing the crypto high. Or, as Arthur Hayes, CEO of BitMEX, said to Bloomberg: "There's not as much money, not as much risk, not as much flow. It's boring. Bitcoin reminds us of what it must have been like trading an asset class in the late '80s and '90s."

# Crypto is the regulatory Wild West.

One of the biggest attractions for talent to the cryptocurrency market is the lack of regulatory constraints. Even as global officials continue to debate the proper regulatory course for the burgeoning asset class, Wall Street talent is flocking to cryptocurrency firms in part because of the freedom from regulations. That's especially true for those who joined the financial industry after 2008, since operating amid heightened regulatory scrutiny is all they've ever known. Eric Robinson of Bloomberg News summarizes their motivation to move their traditional banking careers to crypto as "this greenfield where there was a reinvention of their own parallel capital market with all the expertise and all the features they learned and wanted to deploy when they were in banking. The talent ahead of the curve has gotten bored" with traditional banking.

# Crypto platforms are courting entrepreneurs.

Wall Street has a tendency to make talent feel like a cog in a very large wheel, and financial veterans and newcomers alike are seeking the high impact and high visibility that a role in a cryptocurrency fund or exchange offers. As a result, smart hiring managers and recruiters for crypto platforms are courting the entrepreneurial talent that has been stifled by traditional Wall Street bureaucracy and meager growth in the job market after the financial crisis in 2008. For instance, Pantera Capital CEO Dan Morehead said 95 new limited partners came to his firm in February alone. By way of comparison, it took Pantera 10 years to get its first 95 investors. To cite another example, Bitwise Asset Management, manager of the first cryptocurrency index fund, said it hired industry veteran Matt Hougan as vice president of research and development. Hougan was CEO of Inside ETFs and before that CEO of ETF.com. Bitwise CEO Hunter Horsley said he's seeing more of an appetite for folks like Hougan to jump into a new asset class.

Case in point: Alex Batlin. The former leader for blockchain work at BNY Mellon and UBS left the traditional banking world to start his own company, Trustology, with funding from ConsenSys. "Being able to take these ideas to production in a time frame that I want to do it in is really tricky to do in a bank," Batlin told Quartz. Batlin is not alone—in fact, the number of hedge funds focused on cryptocurrency and blockchain now totals 226, and has more than doubled since the start of 2018.

# The tech talent takeaway.

The Bureau of Labor Statistics (BLS) projects that 1.4 million computing positions will be open in the United States by 2020, compared to only 400,000 computer science graduates. Put another way, over the next two years, the US alone will be short at least 1 million software engineers. This shortage will only get larger as AI, machine learning, biotech, and other emerging technology spaces pick up steam. That means engineers will have leverage and likely will continue to explore their options and market value as financial firms, tech organizations, and crypto companies battle for their talents.



# Conclusion

Digital currency and blockchain are just the latest examples of fintech disruption that began in a meaningful way in the 1990s with the onset of electronic trading. Both have the potential to make several groundbreaking innovations, particularly in the space of payments and other consumer-driven services. As its survival is no longer in question, one of the biggest challenges to cryptocurrency's evolution will be its ability to attract the already scarce engineering talent that will take the industry to the next level. The huge potential upside will attract the best and the brightest. It always does.

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