

Anticipating the Future: An Exploration of the Business Transformation Undertaken by Blackrock Incorporation against the Presence of Cryptocurrencies

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Abstract. Investment firms like BlackRock play a crucial role in the global financial industry. In the context of the growing asset management and wealth management sectors, the adoption of cryptocurrency has become a key focus. This case study illustrates BlackRock's business transformation response to the emergence of cryptocurrency and its impact on the company's operations. BlackRock has taken significant steps by adopting Bitcoin, including launching the iShares Bitcoin Trust (IBIT) and accumulating Bitcoin in its investment portfolio. This highlights BlackRock's transformation in integrating crypto assets into its investment strategy, significantly influencing its position in the global financial markets. BlackRock's business transformation encompasses readiness in both technical and creative skills, as well as substantial business capabilities in managing traditional investment portfolios. They have also adapted their investment strategies to include digital assets, demonstrating strong adaptability and network development capabilities. BlackRock's steps towards cryptocurrency adoption provide critical lessons for the financial industry. They illustrate that cryptocurrency adoption is not just a trend but also a part of a sustainable investment strategy. Lessons from BlackRock include the importance of digital adoption readiness, adaptability, and the exploration of new opportunities in business transformation. This research contributes to understanding how major financial firms like BlackRock respond to the presence of cryptocurrency. Its implications offer strategic insights for stakeholders in the financial industry, aiding them in making informed decisions regarding cryptocurrency. Additionally, this study serves as a practical guide for other companies in the financial sector facing similar challenges related to cryptocurrency.

Keywords: Transformation, BlackRock, Cryptocurrency, Business Model, Blockchain

1 Introduction

Investment firms play a crucial role in the financial services industry and corporate governance in Europe and the United States. These firms typically consist of teams of skilled professional advisors who are experts in company analysis and portfolio management, offering investors a wide range of investment opportunities. As fund managers, they employ various

strategies and trading instruments such as debt, equity, stocks, options, futures, and foreign currencies. In recent years, investment advisors have also engaged in high-risk strategies, including restructuring, credit derivatives, and foreign exchange trading, to achieve higher returns for their funds. However, a review of current trends reveals differing outcomes based on strategy. Despite the diversity in the types, forms, and numbers of investment firms, they share a common goal of pursuing absolute returns and using leverage to enhance investment returns. Nearly 2,400 financial asset managers and owners in Indonesia have signed the UN Principles for Responsible Investment (PRI), with total assets under management reaching USD 86 trillion, indicating an estimated annual growth rate of 5.6% for the global asset and wealth management industry until 2025 [1]. This underscores the urgency for investors, including traditionally conservative institutional investors constrained by various regulations, to stay informed about these valuable assets.

In the past, investment decisions could be made based on a simple set of considerations. However, digital transformation is also disrupting the financial sector. For instance, big data analysis and the use of artificial intelligence in the early stages of the investment process significantly reduce information asymmetry and even offer more accurate predictions of success probabilities than human analysts. At the same time, emerging technologies help democratize investment decisions, making the investment industry more accessible and replicable by retail investors. The cryptocurrency market, though newly emerged, has quickly gained high demand, positioning cryptocurrency as an alternative investment asset and an opportunity across various investor groups. Consequently, the disruption caused by cryptocurrency will significantly impact BlackRock, a global investment firm. BlackRock must respond to the presence of cryptocurrency, deciding whether to accept it as an asset that can support its business goals of wealth growth or to avoid it altogether.

BlackRock, one of the world's largest asset management companies, has adopted cryptocurrency as part of its investment portfolio, driven by several key factors. First, the increasing demand from institutional investors for asset diversification and inflation protection has prompted BlackRock to consider digital assets as a potential investment option. Second, the recognition of blockchain technology underlying cryptocurrencies as a disruptive innovation capable of revolutionizing the financial sector and various other industries. Third, clearer and more accepted regulations in many countries provide security for large institutions to enter this market. Additionally, the impressive performance of cryptocurrencies like Bitcoin and Ethereum in recent years has attracted fund managers' attention, who see opportunities for high returns and portfolio enhancement with these relatively new assets. BlackRock's adoption of cryptocurrency also reflects the company's efforts to remain relevant and innovative in the face of evolving financial trends.

The aim of this research is to investigate BlackRock's business transformation response to the emergence of cryptocurrency and to evaluate its impact on the company's sustainability and continuity. Specifically, the study aims to identify and analyze the business transformation strategies adopted by BlackRock in response to cryptocurrency. It seeks to measure the impact of cryptocurrency on BlackRock's business, including changes in its business model, investment strategy, and market acceptance. Additionally, the research explores the challenges and opportunities faced by BlackRock in dealing with cryptocurrency, and evaluates the strategies implemented to leverage opportunities and address challenges. Furthermore, the study aims to understand the broader financial market dynamics influenced by cryptocurrency, focusing on changes in investor behavior, market volatility, and demand for financial products.

2 Literature Review

2.1 Cryptocurrency & Bitcoin

Cryptocurrency has gained significant popularity in recent years. It is a type of digital or virtual currency that uses cryptography for security and operates independently of central banks. Cryptocurrencies are based on a decentralized technology called blockchain, which is a public ledger of all transactions that have ever occurred. The most well-known cryptocurrency is Bitcoin, created in 2009 by an unknown person using the pseudonym Satoshi Nakamoto. Since then, thousands of other cryptocurrencies have been developed, including Ethereum, Ripple, Litecoin, and many others. Cryptocurrencies are often used for online transactions and as a store of value, but their volatility and lack of regulation make them controversial. Proponents argue that cryptocurrencies offer a way to bypass traditional financial institutions and provide greater financial privacy, while critics contend that they are highly speculative and can be used for illegal activities such as money laundering and terrorism financing [2].

Bitcoin is an open-source software code that implements a decentralized peer-to-peer digital money payment system that does not require trusted intermediaries to operate (e.g., banks or payment companies). Initially, Bitcoin's design aimed to address inefficiencies and agency problems arising from the mediated and centralized banking model. Typically, for international transfers, such as between Canada and China, the money passes through four different banks (including two correspondent banks), two national payment systems, and an international settlement service. Standard international payments take between 3 to 15 business days to settle, depending on the destination country, and involve several agents such as bank tellers, employees, and managers from the mentioned financial institutions. Additionally, there are high bank fees and exchange rates. In contrast, Bitcoin is distributed in cyberspace across thousands of network nodes and inherently has no territorial boundaries. Payments are validated and updated by the network every 10 minutes. No intermediaries are required (e.g., no correspondent banks are needed). There are no bank fees for transactions, although users typically pay a small fee to payment validators. For instance, for an international transfer of \$5000, banks would charge around \$125, while it would only cost approximately \$1 to send the funds via Bitcoin. It is no surprise that Bitcoin is viewed as a significant potential disruptor to the current financial system based on banking [3].

Currently, it is not only individual investors who are interested in the opportunities offered by cryptocurrency. Several investment institutions, businesses, and even countries are also seeking to adopt cryptocurrency. Tesla's adoption of cryptocurrency has become a major highlight in the financial industry and markets. In February 2021, Tesla announced that it had invested \$1.5 billion in Bitcoin and planned to start accepting payments for its cars in Bitcoin [4]. This decision was announced in a Securities and Exchange Commission (SEC) document as part of the company's financial strategy. On the other hand, El Salvador became the first country to adopt Bitcoin as a legal tender. In 2021, President Nayib Bukele announced that Bitcoin would become an official currency and legal tender in the country. This decision aims to improve financial inclusion and economic efficiency, particularly in remittances from abroad. Despite being controversial, this move demonstrates the innovation and potential revolution in the application of crypto assets.

Key factors influencing the adoption of cryptocurrency in business include social influence, transparency, price value, tracking, and attitude. Social influence refers to the impact individuals have on others regarding the use of cryptocurrency. It plays a crucial role in shaping attitudes and behaviors toward cryptocurrency adoption. Meanwhile, transparency in cryptocurrency usage refers to the clarity and openness of transactions. This is a critical element affecting users in the digital market, enhancing trust and confidence in cryptocurrency transactions. Price value in cryptocurrency relates to the cost of acquiring assets and the perceived benefits by end-users. The value proposition of cryptocurrency services is essential in attracting users and driving adoption. On the other hand, tracking refers to the ability to trace individual transactions in the cryptocurrency market. This enhances security and trust in cryptocurrency transactions, influencing adoption. Lastly, consumer attitudes toward cryptocurrency play a significant role in adoption. Positive attitudes toward its benefits and usefulness can drive adoption in business transactions [5].

Since its inception in 2010, Bitcoin has experienced extraordinary growth. The average annual return of Bitcoin over the past 10 years is 1,576%, with a total return of 18,912%. When compared to other assets during the same period, gold has had an average annual return of 5.14% with a total return of 61.67%. Meanwhile, returns from stocks tend to vary according to industry and company size. Despite its high price fluctuations, Bitcoin has delivered impressive results for investors [6]. This is why investment firms or asset management companies like BlackRock cannot completely ignore the presence of Bitcoin and cryptocurrency.

2.2 Investment Firm & Asset Management

Wealth management is a financial service that integrates financial planning, investment advice, portfolio management, accounting or tax services, and various other financial services. Wealth management encompasses more than just investment advisory services; it involves a comprehensive approach to an individual's financial activities [7]. The trends and developments in this industry globally highlight several intriguing aspects. The global investment and asset management industry continues to expand as awareness of effective financial management's importance grows. There is an increasing number of investment companies, asset managers, and investment products offered to investors, particularly during and after the COVID-19 pandemic [8].

Amid the rising trend of global investing, investment firms like BlackRock have substantial opportunities to leverage the growing market. The need for smart and targeted asset management has become increasingly vital for both individual and institutional investors [9]. Challenges such as market volatility and economic uncertainty drive investment firms to continually innovate in providing adaptive and responsive solutions. Furthermore, the awareness of the importance of sustainable and socially responsible investing is rising, prompting the integration of environmental, social, and governance (ESG) factors into investment strategies [10]. Consequently, the wealth management industry is undergoing dynamic transformation in its efforts to offer better services and meet increasingly complex investor needs.

Investment firms significantly contribute to the global economy in various ways. Firstly, they mobilize capital by providing investors access to invest in various assets, including stocks, bonds, real estate, and commodities. This helps enhance the liquidity of financial markets and provides companies with funding for growth and expansion. Secondly, investment firms create jobs by managing investment portfolios and offering financial advisory services [11]. They generate direct employment within the financial industry and support the growth of invested companies. Thirdly, investment firms play a crucial role in asset price formation and market efficiency. Through fundamental and technical analysis, they help identify the intrinsic value of assets, thereby facilitating efficient capital allocation. Lastly, investment firms can contribute to the economy through sustainable and socially responsible investments. Thus, investment firms play a key role in supporting global economic growth and stability.

2.3 Business Transformation

The emergence of new technologies often leads to significant societal and industrial transformations. However, their transformative effects extend beyond industries, impacting markets and customer experiences as well [12]. The growing and widespread digital transformation has accelerated technology adoption across all forms of businesses, from small regional enterprises to large global corporations. Business readiness to adopt such digital transformations depends on numerous factors both within and outside the organization. These factors include levels of technical and creative skills, established or ongoing strategic implementations, and possession of industry-relevant knowledge [13].

Business transformation is crucial for companies to adapt, evolve, and thrive in rapidly changing business environments. It enables companies to effectively respond to market dynamics, technological advancements, and shifting consumer preferences. By transforming their operations, products, and services, companies can remain relevant and competitive in the market. Business transformation allows organizations to streamline processes, optimize resources, and enhance overall efficiency. This leads to cost savings, increased productivity, and better resource utilization. Transformation often involves innovation in products, services, and business models. By embracing change and innovation, companies can unlock new growth opportunities, enter new markets, and diversify their revenue sources. Business transformation also helps companies build resilience against external shocks and uncertainties. By becoming agile and adaptable, organizations can tackle challenges, mitigate risks, and ensure long-term sustainability.

Companies that undergo successful business transformation gain a competitive edge in the market. By differentiating themselves through innovation, efficiency, and customer-oriented strategies, organizations can attract and retain customers, outperform competitors, and achieve sustainable growth. Transformation initiatives often involve enhancing employee skills, fostering a culture of continuous learning, and empowering teams to drive change. Engaged employees are more likely to positively contribute to the transformation process and remain loyal to the organization. Business transformation enables companies to align their strategies, processes, and offerings with customer needs and expectations. By focusing on delivering value to customers, organizations can enhance customer satisfaction, loyalty, and retention [14].

According to Scuotto et al. [15], there are several considerations in adopting disruptive technologies in business model transformation, including readiness to adopt, business capabilities, and expected changes. Technical and creative capabilities within an organization are critical, encompassing knowledge of markets or industries and the ability to implement transformative strategies. Business capabilities are also evaluated based on substantive, adaptive, and change management skills. Once these core aspects are met, strategies can be enhanced to improve capabilities, develop networks, and explore and exploit these opportunities further.

2.4 Business Digitalization

Business digitization involves the utilization of technologies such as big data, cloud computing, Internet of Things (IoT), and artificial intelligence (AI), enabling companies to automate processes, gather and analyze real-time data, and innovate in product and service delivery [16]. The theoretical framework underlying business digitization often involves analyzing organizational change, innovation management, and the impact of information and communication technology (ICT) on traditional business models. With the adoption of digital technology, companies are expected to respond to market changes faster and significantly enhance customer experiences.

The adoption of disruptive digital technologies, such as AI and blockchain, has profound impacts on business strategies and operations. These disruptive technologies not only transform internal company operations but also create new business models that shift industry paradigms [17]. For instance, in the retail sector, AI implementation can optimize supply chains and personalize customer services, while blockchain enhances transaction transparency and security. The theory of disruptive technology emphasizes the importance for companies to continuously adapt and develop digital capabilities to avoid being left behind by competitors. Disruptive innovation drives companies to reevaluate their business strategies, integrate new technologies, and invest in developing digital skills among employees. This demands an organizational culture that is flexible and open to change, as well as visionary leadership to guide digital transformation.

3 Research Method

The research design employed in this study is exploratory case study using both formal and grey literature with a multivocal approach. In investigating the phenomena of change and transformation, the author not only utilizes formally published scientific literature but also grey literature such as website postings, social media content, and other business publications or reports [18]. The exploratory case study method is proposed as a means to foster precision and breadth of analysis in a review [19].

BlackRock, as one of the leading investment managers globally, maintains a highly diversified investment portfolio encompassing various asset classes. As an industry leader, BlackRock is expected to have robust adaptation initiatives and strategies to respond to market and technological changes. Through a case study on BlackRock, insights can be gained into how large companies manage their business transformations in the face of new challenges and opportunities, including the role of cryptocurrency in this context. BlackRock's decisions and strategies in managing cryptocurrency presence can also have significant impacts on the overall

financial industry, and this case study aids in understanding the management transformation steps taken by BlackRock to respond to emerging challenges and opportunities in the digital era.

This research will utilize data triangulation as the basis of the methodology. Data triangulation explains how researchers use all available approaches in the study to extract necessary information and critically analyze findings, thereby ensuring validity and credibility [20]. The three main steps of data triangulation include data collection, data reduction, and conclusion drawing [21]. Data will be collected from various sources, including website content, social media, reports, books, and scholarly articles from BlackRock, economic experts, professional executives, among others. Primary data will be sourced from BlackRock's official publications and scholarly articles, while grey literature will be used as supplementary material for exploratory and multivocal analysis. The obtained data will be analyzed using a data triangulation approach.

In the data reduction stage, the researcher selects data by discarding irrelevant or unused information. Data reduction aims to facilitate researchers in selecting information that aligns with the research objectives, thus aiding in addressing the research problem. After the data reduction process, the next step is data display. The selected data is then presented in a clear and structured manner. This data presentation involves presenting relevant information related to the research, facilitating understanding and analysis. This process helps researchers effectively present research findings and results to readers or stakeholders. Finally, the research reaches the conclusion drawing stage. The conclusions are critically synthesized and presented succinctly to provide a clear and accurate overview of the research findings.

4 Results & Discussion

4.1 Overview of Company Profile of BlackRock

BlackRock is a leading provider of investment solutions, consultancy, and risk management globally, serving clients as fiduciaries. They invest for the future on behalf of their clients, inspire their employees, and support their local communities. Their mission is to help more people experience financial well-being, contributing to a fairer and resilient world for today and future generations. With a team of over 19,000 professionals speaking 135 languages across 36 countries, BlackRock serves individuals, families, financial advisors, educational and nonprofit organizations, pension plans, insurance companies, and governments [22].

Over the past 30 years, BlackRock has evolved from a startup of eight individuals into a trusted global entity managing more assets than any other investment manager. Their commitment to their platform, people, and technology over these decades has ensured long-term value for clients and shareholders alike. Founded in 1988 by eight people in a single room, BlackRock began with a dedication to prioritizing client needs and interests. This client-centric approach remains fundamental to their operations today [23]. BlackRock's vision is to help more individuals achieve financial stability. Their mission is to create a better financial future for their clients, underpinned by a goal to enhance financial well-being for more people. These elements reflect an integrated vision, mission, and set of goals for BlackRock.

BlackRock's business model revolves around offering clients a wide array of investment products and services, including mutual funds, exchange-traded funds (ETFs), and customized investment solutions. As a global investment management firm, BlackRock has revolutionized investment management practices, with over \$9 trillion USD in assets under management. Their

business model has been a driving force behind their success, recognized globally for its unique approach to investment management. Key activities such as investment analysis, research, marketing, sales, and client service are all geared towards meeting client needs and ensuring the highest levels of support.

Key Partners Government Agencies, Regulators, & Institutional Clients Groups & Associations In the Industry, Research Partners Foundations, Non-Profit Organizations, & Technology Partners	Key Activities Research & Analysis, Technology Development, Risk Management, Investment Management Marketing & Customer Acquisition, Regulatory & Compliance Activities Key Resources Financial Resources, Brand & Reputation, Technology Workforce, Talent, Intellectual Property, Global Network Infrastructure	Value Propositions For Retail Investors: A variety of mutual funds, ETFs, and other instruments. For Institutional Investors: Investment management solutions to meet their complex investment needs. For Wealth Management Firms: Help them meet the needs of their high-net-worth clients. For Insurance Companies: Help them manage their assets and meet their investment objectives.	Customer Relationships Digital Platforms & Consultations Events & Conferences, Aladdin Platform Channels Events, Conferences, Social Media, Website News Releases & Annual Reports	Customer Segments Individual Investors Institutional Investors Wealth Management Companies Insurance Firms
Cost Structure Pay & Benefits, Infrastructure & Technology, Marketing & Promotion Costs of Professional Services, Research & Development, Occupancy & Facilities Expenses for Insurance, Depreciation & Amortization, Other Risk Management		Revenue Streams Fees for Investment Management Performance Charges Commissions & Services		

Fig. 1. BlackRock's Business Model Canvas

4.2 Development of BlackRock's Position Towards Cryptocurrencies

BlackRock, with assets totaling over \$9.2 trillion, has taken significant steps into Bitcoin ownership. In January 2024, the company launched the iShares Bitcoin Trust (IBIT), a product tracking the price of Bitcoin. IBIT successfully accumulated assets of approximately \$10 billion, making it one of the largest Bitcoin ETFs in the world. Additionally, BlackRock has amassed a significant amount of Bitcoin, surpassing Tesla's holdings. Currently, BlackRock is estimated to hold one of the largest stocks of Bitcoin among public companies, though its ranking may change over time. Beyond being a Bitcoin holder, BlackRock is also a major shareholder in several leading Bitcoin miners. As of June 2023, they held substantial positions in mining stocks such as Riot Blockchain. These moves illustrate BlackRock's commitment to crypto assets and their confidence in the long-term growth potential and value of Bitcoin. Through these initiatives, BlackRock not only strengthens its position in traditional financial markets but also expands its influence in the cryptocurrency industry [24].

4.3 BlackRock's Changes & Developments After Buying Cryptocurrency

Since adopting Bitcoin and cryptocurrencies into its investment portfolio, BlackRock has undergone several transformations. BlackRock has become more prominent in the crypto world and is perceived as a major player supporting digital assets. However, this decision has also been controversial and garnered attention from various stakeholders. In the short term, the performance of BlackRock's portfolio may be influenced by fluctuations in Bitcoin and other

cryptocurrency prices. However, in the long term, the potential profits from crypto assets can enhance overall performance. For instance, BlackRock's Bitcoin ETF recorded a record trading volume of \$3.3 billion in a single day, doubling the previous record volume. Overall, the top ten BTC spot ETFs recorded a trading volume of \$7.7 billion, breaking the previous record of \$4.7 billion. These figures indicate a frenzy in market activity and a positive response from BlackRock's customers to the services provided [25]. Consequently, BlackRock must manage higher risks associated with crypto market volatility. Rapid price changes can affect the value of their portfolios. The decision to adopt Bitcoin demonstrates innovation and adaptation to new trends in finance. BlackRock has become part of significant changes in the investment and financial industry.

In addition to the aforementioned benefits, BlackRock's adoption of Bitcoin has also had a significant impact on its position as a market leader among investment firms embracing cryptocurrency. BlackRock's foray into the cryptocurrency realm has set an important precedent for its competitors. For example, several leading investment firms such as Fidelity, Franklin Templeton, ARK Investment, Grayscale, Hashdex, and Valkyrie have followed BlackRock's lead in adopting Bitcoin. BlackRock's decision to allocate funds to Bitcoin has prompted many other investment firms to consider the potential of crypto assets. This move demonstrates that Bitcoin is not only seen as a speculative asset but also increasingly recognized as part of a sustainable investment strategy. Thus, BlackRock not only influences the financial market with its actions but also reshapes the industry's view on cryptocurrency. The adoption of Bitcoin by BlackRock and other investment firms also indicates that the perceived profit potential associated with crypto assets has driven financial institutions to embrace new opportunities. This reflects a shift in traditional investment paradigms and signifies that cryptocurrencies are becoming more accepted within the institutional financial scope. Therefore, such steps not only expand the investment horizons of these companies but also strengthen the overall legitimacy and stability of the cryptocurrency market.

4.4 Implementation of Business Transformation Model 1: Adopting Disruptive Technology

According to Scuotto et al. [15], adopting disruptive technologies in business model transformation involves critical considerations that are pivotal for organizations seeking effective integration. Firstly, readiness to adopt is essential, encompassing both technological preparedness and cultural alignment within the organization. This readiness not only involves investing in the necessary infrastructure but also fostering a supportive organizational culture and securing leadership commitment to drive successful transformations

Secondly, business capabilities play a foundational role in navigating technological disruptions. These capabilities include substantive knowledge in relevant technologies or industries, adaptive skills to adjust organizational structures and processes, and effective change management strategies. Substantive skills ensure that organizations have the expertise to implement and utilize new technologies effectively, while adaptive capabilities facilitate agile responses to market changes and emerging opportunities. Meanwhile, robust change management skills are critical for minimizing disruptions and optimizing the adoption process, ensuring that the organization remains agile and responsive throughout the transformation journey

Table 1. Analysis of BlackRock's Business Transformation Model Integrating Disruptive Technologies by Scuotto et al., 2023

Digital Adoption Readiness	Business Capabilities	Evolutionary Changes
<p><i>Technical and Creative Skills</i> BlackRock has demonstrated readiness in technical and creative skills by adopting blockchain technology and cryptocurrency. They possess a skilled team proficient in understanding the technical aspects and creative in devising profitable investment strategies involving digital assets.</p>	<p><i>Substantive Capability</i> BlackRock has demonstrated substantial capability in managing traditional investment portfolios, and they have expanded their capabilities to include digital assets such as Bitcoin. This reflects their ability to adapt to changes in the business environment and integrate innovations into their business model.</p>	<p><i>Empower Individual Skills</i> BlackRock has developed the skills of individuals within their team to understand and manage digital assets. They empower their analysts and investment managers with the knowledge and skills necessary to make informed investment decisions in cryptocurrency.</p>
<p><i>Industry and Market Knowledge</i> BlackRock possesses deep knowledge of the financial industry and investment markets, enabling them to understand the implications and opportunities associated with adopting cryptocurrency. They can identify market trends and potential risks related to investments in Bitcoin and other cryptocurrencies.</p>	<p><i>Adaptive Capability</i> BlackRock demonstrates strong adaptive capabilities in responding to market and technological changes. They can quickly adjust their investment strategies to accommodate new trends and regulatory shifts related to cryptocurrency.</p>	<p><i>Develop Network Capability Strategies</i> BlackRock has developed strategies to expand their network within and beyond the financial industry to support the adoption of cryptocurrency. They forge partnerships with crypto industry players and other financial institutions to broaden their access and insights into cryptocurrency.</p>
<p><i>Implementation Strategy</i> BlackRock has developed robust implementation strategies to integrate Bitcoin and cryptocurrency into their investment portfolio. They have launched products such as iShares Bitcoin Trust and accumulated direct holdings of Bitcoin, demonstrating their commitment to taking proactive steps in leveraging new opportunities within the industry.</p>	<p><i>Change Capability</i> BlackRock has demonstrated the ability to manage internal and external changes associated with the adoption of cryptocurrency. They have successfully transformed their corporate culture to incorporate digital assets into their investment strategies.</p>	<p><i>Explore and Exhibit Opportunities</i> BlackRock actively explores and exposes opportunities related to the adoption of cryptocurrency. They are open to innovation and the growth potential associated with blockchain technology and digital assets, demonstrating a commitment to continually explore and capitalize on these opportunities.</p>
<p><i>It comes down to a successful business transformation process and digital transformation process.</i></p>		

4.5 Implementation of Business Transformation Model 2: Kotter's 8 Step Change Model

BlackRock's journey of adopting cryptocurrency into their investment portfolio can be analyzed using Kotter's 8 Steps transformation theory, a change management framework designed to facilitate effective implementation of significant changes within organizations [26]. Through these steps, BlackRock successfully integrated cryptocurrency into their investment portfolio, demonstrating commitment to innovation and responsiveness to dynamic market changes. This transformation strengthens BlackRock's position as a visionary leader in the industry, adept at adapting to disruptive technologies (game changers).

Table 2. BlackRock Transformation Analysis: Kotter's Eight Steps Change Model

Step(s)	Results
1 – Creating Urgency	BlackRock recognizes the increasing market demand for asset diversification, protection against inflation, and the high profit potential of cryptocurrency. These factors create a sense of urgency to incorporate cryptocurrency into their investment portfolio to remain competitive and relevant in the asset management industry.
2 – Forming a Strong Coalition	BlackRock has formed an internal team comprising senior executives and technology experts to evaluate the potential and risks of cryptocurrency. This coalition ensures support across all management levels and helps steer the transformation process.
3 – Developing a Vision & Strategy	The company is developing a clear vision to become a leader in adopting new financial technologies, including cryptocurrency. This strategy involves research and development, as well as collaboration with financial institutions and regulators to ensure compliance and security.
4 – Communicating the Vision	BlackRock communicates this vision throughout the organization via various communication channels, including internal meetings, annual reports, and mass media. This approach helps reduce uncertainty and garner broad support from employees and stakeholders.
5 – Removing Barriers	The company identifies and addresses potential barriers such as regulatory concerns and a lack of understanding about blockchain technology. By involving legal experts and technology specialists, BlackRock ensures compliance and risk mitigation strategies are in place.
6 – Achieving Short-Term Victories	BlackRock started with small investments in cryptocurrency and related technologies, demonstrating positive outcomes and early gains to stakeholders. These short-term wins helped build momentum and confidence in the transformation process.
7 – Building on Victory	Based on early successes, BlackRock expanded their investments in cryptocurrency and developed new investment products based on digital assets. They continue to innovate and evaluate their portfolio to ensure adaptation to rapidly changing market dynamics.
8 – Making Change as a Permanent Culture	BlackRock instills values of innovation and flexibility within its corporate culture. Training and development of digital skills among employees are prioritized, ensuring that the entire organization is prepared to adapt to future technological changes.

4.6 Alignment of BlackRock's Transformation with BlackRock's Vision

Overall, BlackRock's transformation in adopting cryptocurrency can be seen as a strategic move that supports their vision of helping more individuals achieve financial stability. By providing access to innovative and diverse investment tools, as well as focusing on education and risk mitigation, BlackRock can fulfill its mission in the context of a continually evolving financial market. BlackRock's transformation in adopting cryptocurrency into their investment portfolio can indeed be viewed as a step aligned with their vision of helping more individuals achieve financial stability. Here's how the adoption of cryptocurrency can support BlackRock's vision:

Financial Diversification and Stability

By adopting cryptocurrency, BlackRock offers its clients broader diversification options. Diversification is key to managing investment risks and achieving long-term financial stability. Cryptocurrency, as a new and evolving asset class, provides opportunities for diversification that may not be available in traditional portfolios.

Access to Financial Innovation

Cryptocurrency and its underlying blockchain technology are considered significant innovations in the financial sector. By incorporating digital assets into their portfolio, BlackRock enables clients to benefit from developments in technology that have the potential to revolutionize how transactions and value storage are conducted. This can enhance financial inclusion and provide new tools for achieving financial stability.

Hedge Against Inflation

Some cryptocurrencies, like Bitcoin, are often seen as a hedge against inflation due to their limited supply and independence from government monetary policies. In an economic environment where inflation is a concern, having investment options like these can help BlackRock's clients protect their wealth, aligning with the goal of financial stability.

Education and Empowerment of Investors

BlackRock's adoption of cryptocurrency can also be part of their effort to educate investors about various asset classes and modern investment strategies. By increasing investor understanding of cryptocurrency, BlackRock helps individuals make more informed and prudent investment decisions, which can contribute to their financial stability.

Responsive to Market Demand

With increasing institutional and retail investor interest in cryptocurrency, BlackRock's adoption of these assets demonstrates their responsiveness to client needs and preferences. By offering products that align with market demand, BlackRock helps clients achieve their financial goals in a relevant and cutting-edge manner.

4.7 The Impact of BlackRock's Transformation on the BlackRock Business Ecosystem

The adoption of cryptocurrency into BlackRock's investment portfolio can have significant impacts on their business ecosystem. Firstly, expanding the range of investment products allows asset owners and investors to diversify risk and potentially increase returns by incorporating digital assets. This step can enhance BlackRock's competitiveness in the global asset management market, attracting investors seeking exposure to digital assets and solidifying the company's position as a leader in adopting new financial technologies [27]. Moreover, the underlying blockchain technology of cryptocurrencies can improve transaction transparency and security, strengthening investor confidence and long-term relationships with asset owners [28].

Furthermore, the inclusion of cryptocurrencies can provide a hedge against inflation [29], as many investors view digital assets as a store of value similar to gold. Additionally, the 24/7 trading capability of cryptocurrencies allows for greater flexibility in managing investment strategies, enabling firms to respond swiftly to market changes and capitalize on emerging opportunities. By incorporating these digital assets into their offerings, investment firms can not only appeal to a broader client base but also position themselves as forward-thinking leaders in an increasingly digital financial landscape.

However, this adoption also presents complex regulatory challenges, requiring BlackRock to ensure compliance with regulations across various jurisdictions, which may necessitate additional investments in legal and compliance resources [30]. Changes in investment governance and oversight are also necessary to manage unique risks associated with cryptocurrencies, such as high volatility and cybersecurity risks. Furthermore, education and training for employees and clients on the characteristics and risks of digital assets are crucial to ensure that all stakeholders understand and can effectively manage cryptocurrency investments. The adoption of cryptocurrency may also impact BlackRock's relationships with partners and index providers, potentially requiring new collaborations with providers specializing in digital asset indices and fintech firms.

In addition to the regulatory challenges and the need for enhanced governance, investing in Bitcoin and cryptocurrencies poses several disadvantages for investment firms. One significant concern is the inherent market volatility associated with digital assets, which can lead to drastic fluctuations in portfolio value, creating uncertainty for both the firm and its investors [31]. This volatility can undermine investor confidence and may lead to a cautious approach from potential clients who prefer stability. Additionally, the lack of established valuation metrics for cryptocurrencies complicates investment decision-making, making it difficult for firms to assess the true worth of these assets accurately [32]. There are also concerns regarding the potential for fraud and security breaches in the cryptocurrency space, which could result in substantial financial losses and damage to the firm's reputation. Lastly, the rapidly evolving landscape of cryptocurrencies and their associated technologies may outpace a firm's ability to adapt, leading to challenges in keeping investment strategies relevant and effective.

4.8 Lesson-Learned From BlackRock

By integrating disruptive technologies like cryptocurrency into their business model, BlackRock successfully expands their investment horizons, strengthens their position in traditional financial markets, and opens new avenues for long-term growth. However, they must also manage higher risks associated with crypto market volatility and rapid price changes. Through innovation and adaptation to new trends in finance, BlackRock becomes a part of significant changes in the investment and financial industry.

On the other hand, BlackRock's adoption of Bitcoin also reflects their efforts to seek new revenue sources. This perspective is unique, considering BlackRock's openness to new investment opportunities beyond current trends. Pursuing new streams of revenue is a crucial component in building a sustainable business [33]. The lessons from the case study of Bitcoin and cryptocurrency adoption by BlackRock can be summarized as follows:

Digital Adoption Readiness

BlackRock demonstrates readiness in adopting blockchain technology and cryptocurrency by maintaining a skilled team with both technical and creative skills. This enables them to develop innovative and profitable investment strategies involving digital assets.

Business Capability

BlackRock exhibits substantial capability in managing traditional investment portfolios and expanding into digital assets such as Bitcoin. They also show strong adaptability to adjust their investment strategies in response to market changes and cryptocurrency-related regulations.

Evolutionary Change

BlackRock enhances the skills of individuals within their team to understand and manage digital assets, while developing network strategies to support cryptocurrency adoption. They actively explore and expose opportunities associated with cryptocurrency adoption.

4.9 What If BlackRock Fails to Adopt Cryptocurrency and Transform?

If BlackRock fails to adopt cryptocurrency and transform, it could have several significant impacts on the company. First, BlackRock may lose its competitiveness in the global asset management market. While many other investment firms successfully integrate cryptocurrency and blockchain technology into their portfolios, BlackRock's failure could portray them as less innovative and less responsive to market changes. This could lead to reduced trust from clients seeking portfolio diversification and potential gains from digital assets. Furthermore, without adapting to new technological trends, BlackRock risks losing progressive investors and technologically savvy employees who increasingly dominate the investment market (digital talents) [34].

Moreover, such failure could affect BlackRock's image and reputation as an innovative industry leader [35]. Failure to transform and adopt cryptocurrency may be perceived as an inability to innovate and adapt quickly to changing business environments. This could influence market perceptions of BlackRock's ability to manage assets in dynamic and evolving market conditions. In the long term, the company may face challenges in attracting and retaining technology-oriented talents, crucial for driving further innovation. Therefore, it is crucial for BlackRock to engage in comprehensive scenario planning, including risk mitigation and alternative strategies, to ensure effective adaptation to disruptive technologies and maintain their competitive position in the market. The authors argue that experienced and reputable companies like BlackRock have likely conducted scenario planning before deciding to transform or making significant decisions.

5 Conclusion

The adoption of Bitcoin and cryptocurrencies by BlackRock reflects a bold and innovative strategic move in response to changes in the global financial industry. With substantial assets under management, BlackRock has expanded its investment horizon by integrating digital assets into their portfolio. These initiatives not only solidify BlackRock's position as a market leader in the investment industry but also reshape industry perceptions of cryptocurrencies, demonstrating their increasing acceptance within institutional financial circles.

Although BlackRock's adoption of cryptocurrencies has yielded significant benefits, there are several recommendations to optimize this transformation process. Firstly, BlackRock should consider diversifying its investment portfolio beyond Bitcoin by exploring various other types of cryptocurrencies and potentially beneficial blockchain technologies. Second, given the high volatility of the crypto market, BlackRock needs to enhance their risk management strategies to mitigate the impact of price fluctuations on their portfolio. Lastly, BlackRock should stay abreast of the latest developments in the cryptocurrency and blockchain industries and continuously innovate their investment strategies to remain relevant and competitive in a rapidly evolving market.

There are some implications for future research in the context of BlackRock's adoption of Bitcoin and cryptocurrencies are multifaceted. Firstly, there is a need to investigate the long-term impacts of institutional investment in digital assets on market stability and investor behavior, particularly as more traditional financial institutions enter the space. Researchers should also explore the effectiveness of various risk management strategies tailored to the unique volatility of cryptocurrencies, examining how these strategies can be integrated into established investment frameworks. Furthermore, studies could focus on the regulatory landscape surrounding cryptocurrencies and blockchain technologies, assessing how evolving regulations might influence institutional investment strategies. Lastly, understanding the socio-economic effects of cryptocurrency adoption on financial inclusion and market accessibility could provide valuable insights into the broader implications of digital asset integration in the financial sector. This research will contribute to a deeper understanding of the dynamics at play in the intersection of traditional finance and emerging digital technologies.

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