

Konami is watching its employees¹

Konami is an iconic Japanese organisation operating in the entertainment and gaming industry. In 2022, Konami employed approximately 9,000 people and was performing well, earning revenues of \$2.3 billion, an increase of 4.9 per cent on the previous year. Konami reported that approximately 70 per cent of this revenue came from the sales of digital entertainment, which include mobile games, card games, gambling machines and computer/video games. Although Konami's games such as, 'Pro Evolution Soccer' and 'Yu-Gi-Oh! Duel Links', proved to be successful in the past, the Japanese firm is moving away from the production of just games. This is because the firm is focusing their attention on the production of gambling machines.

Konami was considered a firm fan favourite in the past. This is because it used to publish cult-class games such as, Metal Gear, Silent Hill and Castlevania. However, trouble seemed to be brewing when Hideo Kojima, who is regarded as a veteran games' producer/director within the gaming community, left the organisation in late 2015. His departure resulted in the cancellation of the highly anticipated 'Silent Hills' game, the latest chapter in the Silent Hill franchise. Konami also went on to remove Kojima's name from the box art of Metal Gear Solid V, a franchise which Kojima led on for almost 30 years. The controversy of Kojima, who had garnered an adoration from fans, leaving the company left a negative impression among the gaming community.

Nikkei released a report on Konami in 2018, outlining some issues concerning the management of this Japanese firm. First, the report discussed the departure of Kojima, suggesting the high costs of the latest Metal Gear project, which had an \$80 million budget, were to blame. However, this type of budget is not unusual in the development of triple A games; to put this into context, Grand Theft Auto 5, developed by Rockstar, was reported to have cost around \$265 million. Konami's commitment to reducing spending on traditional console games also impacted other game series including Momotaro Dentetsu, Tokimeki Memorial, Love Plus and Suikoden, the creators of which have also left Konami.

The Nikkei report also raised other concerns about the culture of Konami. Following Kojima's departure in 2015, his former team were renamed 'Number 8 Production Department' and computers within their studio were disconnected from the internet, with employees only permitted to send internal messages. Furthermore, employees leaving the premises on their lunch breaks were having their absences monitored with time cards, and the employees who stayed out too long were allegedly having their names announced throughout the company, in moves reminiscent of a Big Brother culture. Furthermore, ex-Konami employees stated that to prevent employees from being headhunted by competitors, the majority of Konami staff do not have permanent email addresses and change them frequently. The style of these addresses is also anonymising, typically formatted with random letters and numbers, in a bid to prevent unsolicited external contact. Only those employees from whom it is necessary to engage with external stakeholders, such as those employees in sales and PR have permanent contact details.

Konami also reportedly reassigned employees to very different, low-paying roles, on the basis of their individual performance. For instance, game developers regarded as not being 'useful' or

¹ Websites: <https://www.forbes.com>; <https://www.polygon.com>; <https://www.kotaku.com>

Source: S. Collinson, Small and Successful in Japan: A Study of 30 British Firms in the World's Most Competitive Market (London: Avebury Press/Ashgate Publishing Group, 1996); C. Nakane, Japanese Society (Tokyo: Charles E. Tuttle, 1973).

Material Taken from Collinson et al (2024) book

who underperform were given jobs as security guards or cleaning staff at the company's fitness clubs. Moreover, management imposed these changes not just on new or junior employees, but also on producers who had worked on well-known game titles. One ex-employee of Konami publicly stated that Konami had moved him from game development to working in Konami's pachislot factory, causing him to experience severe depression. The same ex-employee revealed that when his departure from the firm was posted in Facebook, any Konami peers who 'liked' the post were reshuffled within the company.

Konami is owned by the Kozuki family who appear to want to safeguard the competitive assets of the firm by limiting the power and influence of outsiders on the business. Like many family-run businesses, especially in Japan, the culture at Konami is seen to be very hierarchical. The founder of the company, Kagemasa Kozuki, is Chairman while his son, Takuya Kozuki, serves as the firm President. Moreover, both Kozuki's nephew and son-in-law serve on the board of directors. In total, four out of the seven internal directors of the company are part of Kozuki family. Although the way the Konami conducts its business may seem unusual, it is important to understand that some of these differences stem from Japanese workplace cultures more generally. These contrast many Western-style organisation cultures, and a more rounded understanding of Japan's culture can help explain Konami's behaviour.

There is strong emphasis placed on loyalty and obligation between employees and their firms in Japan. Lifetime employment based on a moral contract (rather than a price-based contract) and a manager's position as a member of a collective have a strong influence on an individual's behaviour when interacting with others. *Kaisha-in* literally means 'company person', but it also denotes the individual as a representative of 'our company' in the sense of a shared group consciousness. *Meishi* ('business cards') have a deep significance in Japan as the representation of the employee's allegiance to and respect for his/her company. The company name comes first, before the individual's name on the *meishi* and when making introductions. The exchange of *meishi* also establishes relative rank within the strict corporate and social hierarchy, and therefore guides the correct behaviour and even form of language used during interactions. Overall, for the Japanese exchanging *meishi* is an important symbolic ritual.

Although the Konami example is extreme, even by Japan's standards, reports have suggested that some of the practices and control mechanisms implemented within Konami would not raise eyebrows in other Japanese firms. Difficulties arise, however, when a firm becomes more global in terms of its employees and its sales and branding. Employees from other cultures and often legal institutions in other countries would not accept these workplace practices. Consumers from some countries would also change their view of the firm, its brand and products in light of these practices. Companies like Konami therefore have trade-offs between local and international ways of doing business which are determined by cultural differences. Managers need to understand the full costs and benefits of different ways of working to succeed across different country markets and cultures.

Questions for discussion

1. Discuss what kinds of broad cultural differences are likely to exist between Japan and the US.
2. Which of Hofstede's cultural dimensions are demonstrated in the way Konami conducts its business?
3. Explain the difficulties Japanese firms may face when becoming more global.

Answer

1. Discuss what kinds of broad cultural differences are likely to exist between Japan and the United States.

The collective approach of the Japanese contrasts with the individualistic approach of the United States. Moreover, loyalty to the firm is a very important factor in Japan, which had a tradition of lifetime employment, while US managers and their companies are more reliant on a mutual benefit approach.

2. Which of Hofstede's cultural dimensions are demonstrated in the way Konami conducts its business?

The culture at Konami is seen to be very hierarchical (high levels of power distance), as is common within family-run businesses, especially in Japan. Konami are owned by the Kozuki family and in total, four out of the seven internal directors of the company are part of Kozuki family. The Kozuki family who appear to want to safeguard the competitive assets of the firm by limiting the power and influence of outsiders on the business. Also, Konami are seen to be risk adverse (high levels of uncertainty avoidance) and are moving away from developing relatively risky triple A games. Finally, signified in the departure of Hideo Kojima, low levels of individualism are represented in Konami. Konami staff do not have permanent email addresses, and change them frequently.

3. Explain the difficulties Japanese firms may face when becoming more global.

Difficulties arise when a firm becomes more global in terms of its employees and its sales and branding. Employees from other cultures and often legal institutions in other countries would not accept these workplace practices. Consumers from some countries would also change their view of the firm, its brand and products in light of these practices. Company's like Konami therefore have trade-offs between local and international ways of doing business which are determined by cultural differences. Managers need to understand the full costs and benefits of different ways of working to succeed across different country markets and cultures.