

On Cultural Determinants of FinTech Innovation: The Role of Japanese Knowledge Management in Rakuten FinTech

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Abstract—The rapid development of financial technologies has increased the importance of innovation as a main factor in gaining competitive advantage. While technological and regulatory factors are widely discussed, the role of cultural determinants remains relatively underexplored. This paper aims to examine how traditional Japanese business culture influences innovation in FinTech, focusing on how it shapes innovation processes, what mechanisms determine the balance between incremental and disruptive innovation, and how Rakuten compares with selected domestic and international organisations. The study applies a qualitative case study approach combined with comparative analysis. The findings indicate that cultural practices support stability and trust, but tend to favour incremental over radical innovation. The study contributes to the literature by linking cultural mechanisms with innovation outcomes in FinTech. Its originality lies in combining a cultural and knowledge management perspective with a corporate-level case analysis. The study is limited by its reliance on publicly available data.

Index Terms—FinTech, innovation, organizational culture, Japan, kaizen, case study.

I. INTRODUCTION

FINANCIAL technology has become one of the most dynamic and transformative areas of the digital economy. Innovation in this sector increasingly depends not only on technological resources and regulation, but also on organisational culture and managerial behaviour [1], [2]. This is particularly relevant in Japan, where advanced infrastructure exists concurrently with a distinctive, yet highly tradition-based business culture based on continuity, consensus, loyalty, and relatively common risk-averse tendencies. [3]–[5].

Japan is also an analytically important case because FinTech development has been endorsed by public institutions. The Financial Services Agency has promoted open API, sandbox-style initiatives, and structured dialogue with FinTech actors [6], [7]. At the same time, Japan remains below global leading innovation systems in broader comparative rankings, suggesting that institutional support alone does not accelerate innovation development [8].

Rakuten FinTech is a pertinent case for examining this tension. It operates within one of Japan's best-known digital ecosystems, linking banking, payments, securities, insurance, and customer loyalty mechanisms under a shared data

and identity architecture [9]–[11]. Rakuten has also repeatedly restructured its FinTech branch to improve speed, coordination, and data utilisation [9], [10]. These factors make Rakuten a suitable example for further analysis on how cultural factors operate in complex, innovation-driven environments.

This paper asks how traditional Japanese business culture affects innovation in the financial technology sector. It contends that the same cultural mechanisms that strengthen trust, quality, and operational discipline can also limit technological progress. Rakuten's subgroup therefore represents not a lack of innovation, but a specific pattern of innovation that is largely incremental.

Three main contributions emerge from this study. First, it extends the literature on FinTech innovation by incorporating cultural determinants into the analysis. Second, it provides an in-depth case study of Rakuten FinTech, highlighting the role of traditional Japanese management practices. Third, it identifies a structural tension between incremental and radical innovation in culturally embedded organisational settings.

The remainder of the paper is structured as follows. Section II presents the literature review and identifies the research gap. Section III describes the methodology chosen for this paper. Section IV presents the analysis of results. Section V discusses the findings, and Section VI concludes the paper.

II. LITERATURE REVIEW

The innovation literature distinguishes between incremental, gradual improvement and more radical, disruptive change. The Oslo Manual emphasises that innovation may concern products, processes, marketing, or structure, while later work shows that not all innovation generates the same strategic result [1]. This distinction is essential for the FinTech industry, where the difference between incremental improvement and disruptive change is often determinative [2]. Radical innovation refers to fundamental changes that significantly alter organisations or technologies, while incremental innovation involves gradual improvements to existing products and in-house processes.

Recent studies also underscore the growing significance of knowledge management and digital capabilities in shaping innovation outcomes in FinTech. In particular, the integration of ICT systems, data analytics, and knowledge-sharing practices has been identified as a key driver of competitive advantage in the financial sector. This perspective suggests that innovation in FinTech should be analysed not only in technological terms, but also in relation to organisational knowledge processes and learning mechanisms [12], [13].

The literature on Japanese management highlights several recurring mechanisms and patterns. Kaizen philosophy promotes systematic and continuous improvement [3]. Classic analyses of Japanese businesses also emphasise organisational loyalty, long-term (often lifelong) employment, and strong group coordination [4]. Knowledge-based studies further show that Japanese firms often depend on shared learning and internal knowledge collection rather than individualised, entrepreneurial experimentation [5].

Research on FinTech usually concentrates on regulation, business models, and the structure of digital infrastructure [2], [6], [7]. While these factors are fundamentally crucial, less attention has been paid to how traditionally rooted managerial practices shape the scope, speed and type of innovation inside Japanese FinTech companies. This paper addresses that gap by linking cultural mechanisms directly to innovation outcomes in an enterprise-level case.

Based on the identified research gap in Section II, this study addresses the following research questions:

RQ1: How does Japanese business culture shape innovation processes in FinTech firms?

RQ2: What mechanisms influence the balance between incremental and radical innovation?

RQ3: How does Rakuten compare with selected domestic and international firms?

III. METHODOLOGY

The research process consists of three main steps. First, a literature review is conducted to identify key concepts related to culture and innovation. Second, a qualitative case study of Rakuten FinTech is carried out. Third, a comparative analysis with selected domestic (Japanese) and international firms is performed. These stages are directly linked to the research questions, allowing the study to examine how cultural aspects impact innovation processes, identify the mechanisms affecting incremental and radical innovation, and compare Rakuten's subgroup with selected firms operating in the same sector (or closely related areas of financial services).

The paper applies a qualitative explanatory case study design [14]. Rakuten's subgroup "Rakuten FinTech" was selected because it combines scale, ecosystem integration, strong local relevance, and publicly available data and documentation on organisational changes and financial performance [9]–[11]. The case is particularly appropriate for examining how cultural preservation and continuity interacts

with innovation-based sector that rewards speed, flexibility, extensibility and scalability.

Three analytical mechanisms structure the case: kaizen management methodology, hierarchical consensus, and long-term employment norms. These mechanisms are evaluated in terms of their effect on two types of innovation: incremental innovation, understood as continuous improvement within existing structures, and radical innovation, understood as rapid and potentially disruptive strategic (or product) transformation [1], [2].

The analysis is based on document review. This approach is appropriate given the exploratory nature of the study and the limited availability of internal organizational data in the Japanese FinTech sector. Core materials include official Rakuten investor documents, financial statements and press releases, Japanese regulatory materials, and public disclosures from selected comparator enterprises.

Additionally, the study applies a comparative logic to strengthen the analytical interpretation of the findings. By contrasting a specific Japanese FinTech company (Rakuten) with selected domestic (Softbank's PayPay, and SBI) and global (PayPal, Stripe, and Revolut) organisations, it becomes possible to distinguish between aspects that are specific to the Japanese cultural context and those features that are more broadly characteristic of the FinTech sector [15]–[19]. This comparative perspective does not aim at statistical generalization but rather at analytical generalization, allowing the identification of patterns and relationships that may be transferable to similar organisational settings. Such an approach is particularly useful in exploratory research, where the goal is to develop new insights rather than to test predefined hypotheses.

IV. ANALYSIS OF RESULT

The findings are presented in relation to the research questions defined in the study.

A. Kaizen and Continuous Improvement

Rakuten's innovation strategy is strongly correspondent with the kaizen philosophy (RQ1). Rather than centering a single disruptive product, Rakuten develops value through continuous ecosystem optimisation: cross-use of services, loyalty integration, system's interface refinement, and data-enabled improvement [9]–[11]. This pattern is consistent with Japanese Kaizen logic described in the literature [3].

Such a model has clear merits. It supports service reliability, lowers coordination costs across business units, and strengthens customer retention. Therefore, Rakuten's ecosystem design supports sustained gradual innovation (RQ2).

However, the same management methodology also has limits. Incremental optimisation is less suited to situations that require organisational rupture, aggressive product simplification, or fast external scaling. Compared with companies built around highly modular platform structures or rapid

experimentation, Rakuten's innovation remains more path-dependent, inertial and less disruptive (RQ3).

From a broader perspective, following kaizen's patterns may be interpreted as a form of path dependency, where past organisational habits and accumulated capabilities shape current development trajectories. As a result, firms such as Rakuten may show significant risk aversion, thereby limiting the capacity to deviate from established innovation paths, even in environments that reward rapid experimentation and disruptive change.

B. Hierarchy, Consensus, and Decision Speed

Rakuten has attempted to decrease organisational friction. In 2018, the company explicitly reorganised its structure to expedite the decision-making process and increase operational dynamism by integrating its FinTech subgroups more closely [9]. In 2024, it again highlighted the need for deeper collaboration, data integration, artificial intelligence utilisation, and more adaptable decision-making across its FinTech units [10].

These reforms indicate that the company itself recognises speed as a strategic issue. Yet firm-level restructuring does not automatically exclude consensual decision routines. Even within flatter structures, Japanese managerial practices often continue to privilege alignment, internal consultation, and highly-coordinate, formal implementation [5].

As a result, Rakuten appears faster than many traditional Japanese financial institutions, but still slower than firms whose internal teams operate with greater autonomy and shorter decision cycles. Consensus improves unity, organisational symmetry, and reduces execution risk, but it may significantly delay breakthrough innovation (RQ2).

C. Lifelong Employment and Organisational Flexibility

Long-term employment norms remain relevant to the Japanese corporate environment. Recent labour analysis shows that employment tenure in Japan remains high by international standards, especially in larger companies [20]. In organisational terms, this supports internal loyalty, in-house knowledge retention, and continuity of routines.

For dynamic sectors like FinTech, these advantages are mixed. On the positive side, long-term employment can reduce coordination failure, and support the safe handling of regulated financial institutions. On the negative side, it may limit external talent circulation, reduce pressure for disruptive restructuring, and reinforce cultural caution towards failure.

In Rakuten's case, this does not mean the business remains unchanged. Rather, it suggests that the organisational environment favours adaptation without deep and raptive disturbance. Innovation is more likely to be absorbed into existing structures, rather than to rescind them (RQ2).

The comparative analysis emphasises that differences between firms are not exclusively determined by technological/infrastructural capabilities or market strategies, but also by deeper organizational and cultural factors. While international firms tend to prioritise modularity, speed and rapid

TABLE I. SELECTED DOMESTIC COMPARISON

Dimension	Rakuten FinTech	PayPay	SBI
Core logic	Ecosystem integration across multiple financial services	User-scale expansion around mobile payments	Finance-led group expansion with strong institutional base
Cultural profile	High continuity with Japanese coordination norms	More hybrid and speed-oriented	More conservative and institutionally finance-driven
Innovation type	Mainly incremental and systemic	Faster market-facing iteration	Incremental, partnership-led
Main strength	Cross-service, innovative integration and loyalty	Scale and fast user adoption	Stability, finance expertise, blockchain, venture exposure
Main constraint	Slower radical change	Dependence on payment-centred expansion	Lower agility and heavier institutional inertia

TABLE II. SELECTED INTERNATIONAL COMPARISON

Dimension	Rakuten FinTech	PayPal	Stripe	Revolut
Model	Integrated ecosystem	Global two-sided network	Payment API	Rapidly scaling digital bank
Scale cue	17m Rakuten Bank accounts; 12m Rakuten Securities accounts	434m active accounts	\$1.4T payment volume	52.5m users
Innovation logic	Optimisation within ecosystem	Scale, network effects, broad financial services	API modularity, heavy research and development	Fast product rollout and licensing expansion
Risk posture	Relatively cautious	Moderately tolerant	High experimental tolerance	High speed and product agility
Likely outcome	Strong domestic integration, slower global scaling	Broad global reach	Fast system innovation	Rapid customer growth and global expansion

scaling, Japanese organisations such as Rakuten operate within a framework that focuses on coordination, reliability, and relatively more long-term value creation (RQ1). The differences found through this analysis suggest that innovation

in the FinTech sector cannot be fully understood without considering the broader organisational context in which specific companies operate, as well as the ecosystem structures in which they are embedded [21]. Consequently, cultural aspects should be treated as integral features of innovation strategies rather than as external constraints.

Taken together, the comparisons provide answers to the research questions. Japanese business culture shapes innovation processes through mechanisms such as kaizen, consensus-based decision-making, and long-term employment norms, which collectively favour incremental over radical innovation (RQ1). Rakuten's distinctiveness therefore lies not in the absence of innovation, but in its configuration (RQ3): it is strongest when innovation can be embedded into a trusted ecosystem and weakest when success depends on rapid modular scaling or aggressive disruption.

V. DISCUSSION

The case supports a nuanced interpretation of the relationship between culture and innovation. Rather than acting as a solely enabling or constraining factor, cultural aspect appears to shape the direction and structure of innovation processes within organisations. Traditional Japanese business culture is neither simply advantageous nor simply harmful, as it is closely linked to knowledge creation processes within organisations [20]. In Rakuten's case, cultural continuity creates operational benefits – coordination, trust, quality control, and customer loyalty – that are especially valuable in the financial sector. At the same time, those same features channel innovation toward gradual improvement and away from radical enhancement.

This has two key implications. First, the common contrast between “innovative” and “non-innovative” firms is insufficient. Rakuten should be considered innovative, but primarily in an incremental and ecosystemic way. Second, Japanese FinTech firms may need ambidextrous structures: one part of the organisation preserving trust and integration, and another allowing swifter, more autonomous experimentation (RQ2). Without this hybrid management structure, cultural coherence may become a significant brake on global competitiveness.

VI. CONCLUSION

This paper examined how traditional Japanese business culture affects innovation in FinTech through the case of Rakuten's subgroup “Rakuten FinTech”. The findings have important implications for both researchers and practitioners. They suggest that companies operating in culturally influenced environments may need to actively balance stability-oriented practices with more flexible and experimental innovation strategies. Furthermore, the findings of the paper show that the kaizen philosophy, consensus-oriented hierarchy, and long-term – or in some cases lifelong – employment norms support reliability and stable value creation, but also incline towards incremental rather than radical innovation.

Rakuten therefore represents a culturally distinctive innovation model. Its approach is coherent, trusted, and effective in maintaining ecosystemic value, yet it is less suited to environments (such as global FinTech) requiring rapid iteration, organisational rupture, and aggressive global scaling.

From a strategic perspective, this raises important questions regarding the future development of FinTech organisations operating in culture-rooted business environments. As global competition intensifies, firms may face significant pressure to adopt more experimental approaches to innovation. However, such changes may be challenging to implement without fundamentally altering already pre-existing organisational norms and practices. This creates a potential trade-off between preserving cultural identity and enhancing innovation performance. Understanding how companies navigate this trade-off represents an important direction for both academic research and managerial methodologies.

In conclusion, the findings provide answers to the research questions (RQ1-RQ3) by demonstrating how cultural mechanisms shape innovation processes and influence the balance between incremental and radical innovation in FinTech firms. These findings indicate that future competitiveness in the FinTech sector may depend not only on technological or infrastructural capabilities, but also on the ability of organisations to adapt or reinterpret their cultural foundations in response to rapidly changing technology environments.

The study is limited by its reliance on publicly available data and the absence of primary empirical evidence. Future research should include multi-case studies and empirical data collection to verify and further validate the findings of this paper.

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GENERATIVE AI DISCLOSURE STATEMENT

During the preparation of this work, the author used ChatGPT 5.4 model to support the structuring of the reference list section. The tool was not used to generate neither the original research content, nor the results. After using this tool, the author carefully reviewed and edited the content and takes full responsibility for the final version of the manuscript.