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Title

The Space of Business Ecosystems: Can Topical Space in Business Ecosystems be Perceived as Glocal?

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Introduction

Mangement researchers have investigated regional development from the point of view of clusters (Taira, 2011), overseas links and investment (Taira, 2022; Taira & Schlunze, 2022), innovation (Paasi et al., 2023; Peltoniemi, 2006), and informational network (Anggraeni et al., 2007; Taira, 2020). Others have investigated the benefits of regional ecosystems such as lower transaction cost, lower risks, and greater opportunity (Radziwon & Bogers, 2018). Businesses in business ecosystems generally are thought to have greater resilience (Iansiti & Levien, 2004). Previous authors have considered how the local members of a business ecosystem connect a region to the larger ecosystem with better international access (Li et al., 2019). The region examined in this study is limited to the city of Kyoto. While the city and its firms are of course interconnected with neighboring jurisdictions, the city makes a conveniently bounded frame of reference for its firms. Further, the city is of interest as it is characterized by the presence of a video game giant, Nintendo, a group of much smaller supporting firms, and independent studios called Indies.

The Kyoto area video games network includes a limited number of SMEs and larger firms, about 40, with a few more employing more than 500 workers. Of course, the largest organization looming over all others is Nintendo. This giant contributed heavily to the creation of the global video game ecosystem, yet it does not interact directly with more than a few local firms. Instead, the firms interact through topics of mutual interest such as creating and publishing own games, attraction of talent, learning about trends, and so on (Baber & Ojala, 2022). Their interaction in shared relational spaces is more limited as few of the firms make contractual relationships with each other locally. Rather, relations are widespread and diffuse with firms around the world. Kyoto firms interact with firms internationally through contracts for sales, distribution, and services, as well as through attendance of international business events. However, the dynamic by which the Kyoto firms interact internationally otherwise remains unclear. Topical space (Brinkhoff et al., 2016) is a way for organizations to interact indirectly whether locally or distant. Thus the research question of this article is: How does topical space help a local network relate to its global ecosystem?

Literature review

Previous authors have examined the links between local activities and global business ecosystems finding advantages in international access (Li et al., 2019), for example. However available studies stop short of linking the localizing aspects of firms that participate in global business ecosystems. This paper presents some evidence of such localization and suggest mechanisms for it. First, however, some terms are defined.

Glocal

This paper relies on the term glocal to understand how global standards and expectations combine with local preferences, norms, and behaviors. Glocal describes a highly customized integration of a local paradigm with a global one (*Glocal*, n.d.). In such integrations, some global standards are kept, corresponding to a macro or global scale, while others are abandoned and yet others are adjusted at a meso/micro or local scale (Roudometof, 2016). In the current paper, the term glocal refers to topics of interest that form topical spaces that capture the attention of firms locally as well as globally, though with different emphasis.

Topical Space

The notion of topical space is that actors direct their attention and actions toward a topic in parallel with other actors. Unlike relational space, the actors might not interact directly or perhaps only incidentally (Brinkhoff et al., 2016). These topical spaces are perceived by participants and impacted by their own motivations and viewpoints (Suwala, 2019). Further, the topical spaces are not the endpoint in which parties interact, rather the neighbors interact with third parties and indirectly lead or follow one another. In the video game industry, topical spaces have been identified such as labor recruitment, industry events, the local environment, game development, specific platforms, and leading firms (Baber & Ojala, 2022).

Business ecosystem

A business ecosystem is a complex network of organizations and individuals and their networks that has a primary purpose of conducting business activities. Business ecosystems are not only complex, but give rise to feedback loops, network effects, and other unpredictable outcomes (Jacobides et al., 2018).

Business ecosystems usually have key organizations that orchestrate activities (Moore, 2016) but may also be self-organizing (Baber & Ojala, 2024). In the case of the video games industry, a firm that owns and controls a major platform may be considered an orchestrating entity (Ojala & Lyytinen, 2018; Yoo et al., 2012), however this industry as a whole does not follow the lead of any single main platform owner (i.e. Microsoft, Nintendo, Sony, Steam, etc.).

Methodology

This study is based on interviews with Kyoto city video game firms collected mainly between 2016 and 2021 with follow up interviews through 2024. These firms were selected due to their importance in the local business ecosystem, especially Firm E which proudly identifies itself as a major contributor and "unsung hero" of several globally famous games. Also, Firm G is an unofficial leader of the local ecosystem with over 20 years of business experience and pioneering contracts around the world.

Table 1: Firms and interviews

Firm	Time	Position	Firm activity
Firm A	1 hour	Two founding members	Video games development
Firm A	1 hour	Senior project manager	Video games development
Firm B	1 hour; 0.5 hour	Founder	Video games and applications development
Firm B	0.5 hour	Founder	Video games and applications development
Firm C	1 hour	One founding member	Publishing
Firm C	1 hour	Two founding members	Publishing
Firm D	1 hour	Founder	Video games development
Firm D	0.5 hour	Founder	Video games development
Firm E	1.5 hours	Senior manager	Video games development, contractual development
Firm F	1 hour	CFO, Senior Product Manager	Video games development
Firm F	1 hour	CFO, Senior Product Manager	Video games development
Firm F	1 hour	Senior Product Manager	Video games development
Firm G	1 hour	Senior Studio Manager, Founder, Sound designer	Video games development, contractual development
Firm G	1 hour	Senior Studio Managers	Video games development, contractual development
Firm G	1 hour	Senior Studio Managers	Video games development, contractual development
Freelance	Email	Freelance artist	Art content

Additionally, snowballing, where one firm led the authors to another, helped to build the necessary contacts. Table 1 shows the contacts and length of interview. The interviews were recorded, transcribed with the aid of Artificial Intelligence, and manually checked and corrected. Manual searches, rather than automated summarization, were used to identify and collate themes and key phrases.

Discussion

The firms in the study form a local network that engages with other local networks through a complex global business ecosystem of the video game industry. This larger ecosystem includes multiple networks that exchange resources, physical, intangible, and virtual, to innovate and find partners. The global network may deliver shocks such as regulation originating in China, the USA, or the EU, as well as opportunities through major projects, market opportunities, demand for services, or provision of specialized skills.

Of importance to this study, the firms do not compete directly against each other – this is a feature of the video game world that is especially prominent in Kyoto. Broadly, firms compete for access to and prime positioning on platforms. Additionally, they compete for the attention of players, albeit also against other entertainments, not only other video games. Because they number of firms locally in Kyoto is not so high, firms rarely compete directly. Thus, there is little disincentive for interaction among the firms. Nonetheless, the data revealed that the firms interact little. The foreigner founded firms tend to have informal and irregular interactions. The Japanese founded firms, meanwhile, follow the usual cultural pattern of Japanese business norms in which there is little interaction among the top managers of firms beyond reinforcement of contractual relationships, and almost none at lower levels of the pyramid where workers are quite circumspect about meeting and talking with their counterparts. Contractual relationships are often restricted by the ultimate customer, for example Nintendo, which may reject a vendor or subcontractor they see as unreliable. Those firms boasting their own games rather than games developed for or with industry leaders are referred to as independent, or Indie, studios.

The interviews revealed that the few foreign owned firms in the city rarely contracted locally for services. With Japanese owned firms it was different: there were many contractual relationships, but only with the confirmation of the major customer at the top of the pyramid. The two groups, Japanese and foreign owned had the most overlap via topics of interest such as a local business event (Bitsummit), creating games, and dealing with major studios other than Nintendo.

Thus, firms in the geographical space of Kyoto city do interact in topical spaces. If we frame the interactions as indirect and through topics of mutual interest, topical spaces explain how the firms interact indirectly with their fellow firms within the city boundaries. Table 2 shows the different levels of importance to Kyoto firms of the topics on local and global scales. Where there is high importance placed on a local and global topic, there is a global-local connection.

Table 2: Global-Local topics

Topic adapted from (Baber& Ojala, 2022)	**Locally linked**	**Globally linked**
Leading international firms	○	○
BitSummit	○	△
Nintendo	△	X
Labor recruitment	○	X
Own games	○	○
Informal interaction	○	X
Mobile games	△	X
Foreign events	○	○
Legend: ○ – a topic of strong interaction △ – a topic of weak interaction X – little or no interaction		

The topics with strong global and local interaction include leading international firms, developing proprietary games, and foreign events in the business ecosystem. Thus, these are candidates for glocalization – important global topics that are interpreted and customized at the local level. They also represent the structure by which Kyoto firms draw information from the global ecosystem into the local business scene.

Table 3 shows the topics that are confirmed in the interview transcripts to transfer information and knowledge about the global ecosystem and business activity into the local system.

Table 3: Topical spaces with local links

Topic	**Glocal**	**Comments**
Leading international firms	Y	A high degree of information sharing appears to take place.
Own games	N	Most firms in Kyoto appear to make games targeting Japanese players. They did not seem to share game ideas and approaches in the local scene.
Foreign events	Y	Kyoto firms appear to be active visitors of foreign industry events and to discuss preparation for these events.

According to Table 3 and the interviews it is based on, there appears to be only a mild glocalization impact from topical spaces. These results are less striking than expected. One reason may be that the Kyoto video games landscape is divided into three groups that have little interaction. One group is centered around Nintendo; these firms observe careful discipline about avoiding interaction with other local firms. Another group is Japanese services firms, some of which develop their own games. The last group comprises smaller Indie studios, mainly founded by foreign firms. Not all the firms fit neatly into these three categories. The firms generally however target the topical spaces identified in Table 2 where they interact with ideas and firms outside the Kyoto geography. Indirectly, those interactions impact the larger, global video game business ecosystem. However, those interactions generally have little impact on the Kyoto firms as a group. Rather, the impact appears to be on individual firms.

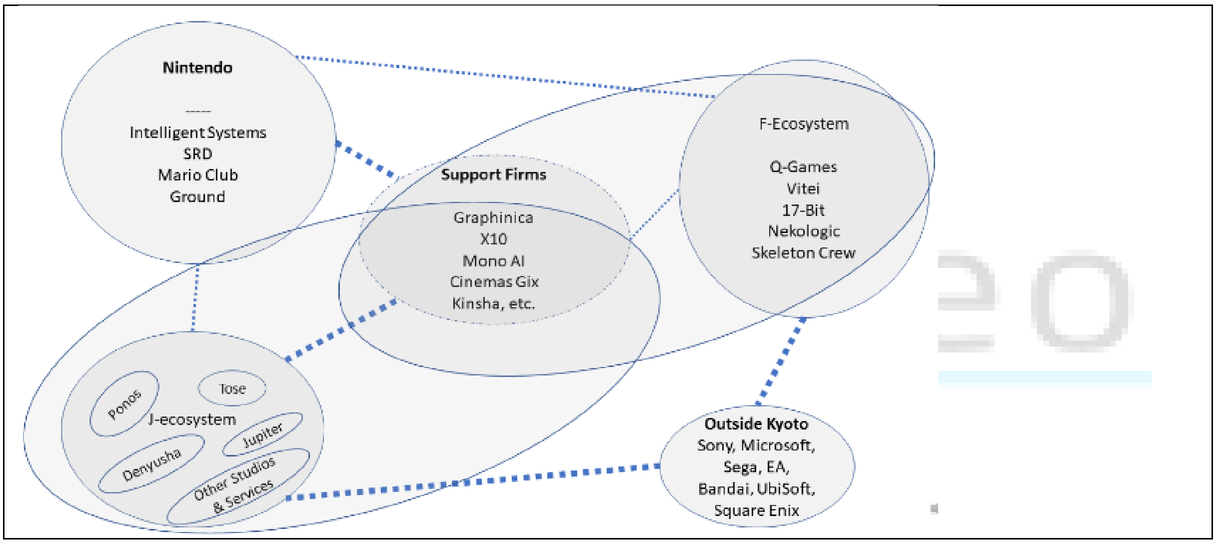

Figure 1: visualization of groups and interactions outside Kyoto

Conclusion/Summary

This study investigates international business ecosystems consisting mainly of small and medium-sized enterprises (SMEs) through a multiple case study of Japanese firms headquartered in Kyoto. These are local firms in that their headquarters are not in major Japanese metropolitan areas such as Tokyo, Nagoya, and Osaka. The firms in this study concentrate on video game development and services. Through contractual relations, the firms are closely linked to much larger firms locally, regionally, and globally. Despite their limited size and resources, they have impact on major corporations and their digital products reach users globally.

Over the long term, the local-global ecosystem supports firms by not requiring them to compete directly and allowing them to offer expertise in contractual relationships as well as informally. The local firms, especially the small and medium size ones, interact mainly indirectly as part of a larger ecosystem. The local Kyoto video game firms interact in topical spaces as much or more than in physical spaces. Indeed, topical spaces explain how the firms interact indirectly with a loose global network as well as their fellow firms within the city boundaries as they bring in information and convert it to local needs. As a result of information, opportunities, and innovative ideas that arrive through topical spaces from the ecosystem, these firms enjoy resilience and survivability. Similar benefits may be gained by other firms and industries that learn to join and manage the dynamics of business ecosystems in order to survive locally and compete globally as they interact indirectly through topical space.

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