

KATO PLEASURE GROUP – REVAMPING TRADITIONAL TALENT OPERATIONS TO BUILD A MODERN EMPIRE OF HOSPITALITY IN JAPAN

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Abstract

One of the most dynamic providers of hospitality in Japan, Kato Pleasure Group (KPG) has been growing their business portfolio over the past few decades at rapid speed. This paper analysis some of the key initiatives has implemented in order to revamp traditional people operations in a Japanese business in order to encourage innovation, induce behavioural change and scale up business development.

JEL classification: L60, L63, M14.

Key Words: Talent, Organization, Globalization, Innovation, Transformation, Japan, Technology, HR, People

Introduction

Kato Pleasure Group Co., Ltd. is a company based in the city of Osaka, a firm which operates leisure business development, restaurants, hotels, river cruises, glamping and camping sites, bridal services, wellness centers, spas, cinemas and other entertainment outlets throughout the Japanese archipelago and overseas. The company owns the *Tsurotontan* udon noodle shops, which have spread internationally, gaining rapid popularity in New York, Boston and Hawaii, with new shops being announced to open in Europe, Asia and the Middle East in the future. In Roppongi, Tokyo, the *Tsurutontan* udon noodle restaurant is constantly popular day and night. Kansai-style udon noodles are characterized by large bowls, and the taste is very popular with all generations. Although part of the same chain, the *Tsurutontan* udon noodle stores are all different, as each store has its own character and unique features. At the Shinjuku store, there is a

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live space where visitors can enjoy music while eating udon noodles. One udon noodle shop in Osaka can be used for entertainment purposes, taking advantage of a former restaurant layout and atmosphere, which was very well known locally. In addition to the food and beverage ongoing initiatives, KPG subsidiary Triplets opened a store in Tokyo for Hiroshima-style okonomiyaki "Micchan Sohonten", which also enjoys wide popularity with both locals and tourists from overseas.

In collaboration with Tokyo-based real estate firm HULIC Company Ltd., KPG have developed a series of small luxury inns (*ryokan*, in Japanese) under the brand name "Fufu". KPG opened "Atami Fufu" in December 2007, "Fufu Kawaguchiko" in October 2018, "Fufu Nara" in June 2020, "Fufu Nikko" in October 2020, "Fufu Karuiwaza" and "Fufu-Kyu Karuizawa" in 2023. Alongside, the company has also been operating an exclusive hotel-style share-time property management program named Glamday Style, with properties in Okinawa, Hakone and other popular tourist destinations.

Through its restaurants, resort hotels, inns, and entertainment centers, KPG attracts over 4 million visitors per year, with an annual sales total of 13 billion yen. Similarly to other hospitality chains and networks, KPG offers a significantly authentic value proposition to both clients and employees. Although managed in slightly different ways by different people, KPG properties carry an unmistakable atmosphere and culture of courteous friendliness, solicitous coziness and mannerly intimacy.

The significant role of corporate culture (Ishida et al, 2021) along with the importance of authentic leadership in business have been broadly argued and demonstrated (William, 2011). Research on the impact of authentic leadership in Japan-based business operations is still relatively scarce, and this paper aims to contribute to a scientific dialogue on this topic.

The Impact of a Visionary CEO

The hospitality industry in Japan is one of the oldest in the world, with Nishiyama Onsen Keiunkan being the oldest operating hotel in the world, as it already existed in the eight century. However, not all hospitality providers in Japan have been as fortunate – many famous hotels, inns and restaurants closed down for various reasons throughout the centuries.

Kato Pleasure Group (KPG) founder and President Tomoyasu Kato started his career in hospitality business in Japan with a key eye of creating unforgettable, unique experiences for his guests.

Kato was born in Osaka Prefecture in 1965. Following the death of his father, who had run a clothing store and a restaurant, he took over the business at the age of 22. Since then, he has been working with his team of hospitality professionals to develop a unique hospitality production business that takes

responsibility for everything from the launch of the business to its operation. As of December 2024, KPG operated more than 30 facilities.

KPG hospitality outlets have an illustrious identity, in terms of area, location, atmosphere and size. Unlike other chain resorts and restaurants, not two KPG facilities are the same in everything. Kato learned early in his career that what customers want is different for each area and location; therefore, he chose to focus on developing and providing a "one-of-a-kind" experience to his customers at each area, location and facility.

This highly customized practice of focusing on the individual in order to create unique and memorable experiences may seem counterproductive and in contrast with traditional Japanese management practices, focusing on standardization, optimization and continuous improvement (Kaneko et al., 2021). It is also slightly in contrast with the traditional preference for collective behavior and highly aligned operations (Watahiki et al., 2024). Kato strategically chose to step away from the one-pattern-fits-all approach to hospitality business and to focus on creating unique and highly customized guest experiences, while developing strong customer intimacy through thoroughly managed and updated data, customer observations and market insights. He realized that many of his guests were expecting much more than clean sheets and smiling faces from a visit to a traditional inn or a beach resort and he committed to focusing on the revitalization of the hospitality business in Japan. In addition to the revitalization of the restaurant sector, Kato also focused on revamping many struggling public lodging facilities in Japan, in order to attract new guests and ensure the continuity of those businesses.

Kato's passion for creating unique moments for his guests inspired his team of hospitality professionals to start thinking and acting differently as well. The Head of People Operations soon realized that a new kind of talent had to be acquired from the market, trained in Kato's business philosophy and vision on hospitality, and then be empowered to go and deliver genuine and unique moments for each guest interaction. This new hospitality mindset was not easy to adopt for everyone, as most service professionals had been trained in other facilities to read and follow manuals, seek managerial advice for every action and obey orders with diligence and minimum questions asked. Hospitality professionals in Japan had traditionally been trained to "act up", to play clearly defined roles and attitudes, which guests had been educated to expect, similarly to how a child expects to meet Mickey at Disneyland (Raz, 1999). Many employees joining KPG were expecting to encounter a Ritz Carlton reminding Credo, inspiring ladies and gentlemen to serve other ladies and gentlemen in one way or another (Kent, 1990). Not having such strict manuals to follow, nor well defined roles to play, was slightly confusing for new joiners on Kato's team at KPG. In work environments, maintaining a certain level of distance is

seen not only as customary, but also a matter of good manners and proper upbringing in traditional organizations in Japan (Popa et al, 2020).

Rather than creating detailed manuals and specific guidelines for each job role at the group, Kato chose to lead by vision and emotions. Vision is broadly shared with everyone onboard, and trust is a powerful currency at KPG. The KPG vision is being a “good leisure creator”, and the interpretation of this message is left up to each individual member of the organization. All KPG people are invited to consider how to best deliver moments of excitement to customers, along with the theme of "Making Leisure in Japan More Enjoyable!" As good leisure creators, KPG hospitality provider are requested to imagine how they can best combine new values with the times, people, and places, and with the best hospitality mindset to create ultimate *fun* for their customers.

Research Methodology

This research emerged through a combination of 368 employee surveys, 8 individual interviews with KPM managers and executive directors, and 6 focus group discussions with KPG hospitality professionals and selected guests. The authors of this research also utilized participatory observation as a practice of research, as they were involved in various business transformation initiatives as in-house consultants.

Discussions

The employee surveys indicated that 67% of the population surveyed were initially baffled by the lack of strict manuals and specific roles they had to play while working at KPG. In comment to a free answer question, a male employee in his mid-30s confessed that not knowing what the role would specifically entail and how to behave in order to meet guest expectations was not only confusing, but also quite intimidating in the beginning. Another male employee in his late 20s explained that he/she felt so lost and confused by the lack of operational manuals that he felt like crying and running away home after the first day at work. Nevertheless, 89% of the employee population surveyed indicated that after three months of employment they were so happy working at KPG that they could not see themselves working anywhere else. To a free answer question, a female employee in her early 30s explained that working at KPG was more than a job – it was nearly a new lifestyle. Being totally genuine in guest interactions was new and refreshing and guests seemed to rather enjoy the genuine interactions.

When requested to consider their experience three months after the beginning of employment, 96% of the employee population surveyed reported that they were very satisfied with the job and the new way of working. One employee indicated to a free answer question that the lack of detailed manuals

indirectly encouraged him to think independently, to assume ownership of every instance of his job and to be responsible for every act and occurrence.

One of the resort managers interviewed indicated that working at KPG was a life-changing experience. He had worked at larger and more popular resorts in Okinawa in the past, where guests would stay for one or two nights and would spend their time doing beach activities, visiting the cozy bars and restaurants or enjoying other indoors facilities, such as swimming pools or karaoke party rooms. Employees would have their specific roles and responsibilities, such as front desk staff, bell staff, concierge, etc., and the guest profile was very broad and different. Many people would come to the resort for a “once in a lifetime occasion”. At KPG, the guest – host relationship was much closer and more intimate. The hospitality provider would know much more than a name, address and contact information of the arriving guests, as most of these were repeat guests who would come back to facility in need to disconnect from daily life and anticipation of a courteous but friendly interaction with the hosts. Unlike the staff at a large resort, the KPG service provider had to know how to provide a comprehensive package of hospitality, acting as concierge, driver, front desk, restaurant staff and resort administrator. The role was much more complex and, yet, much more rewarding and satisfying.

When asked to compare the attributes and impact of his current role at KPG to a previous role in hospitality, an executive director indicated that the current role was much more intense and challenging, in terms of actionable managerial items and issues which had to be constantly monitored and properly delivered. The psychological distance between the executive and the immediate reports was significantly shorter, as the dynamic of the team was highly organic and the relationships within the team were highly close and personal.

Two of the employees who participated in the focus group interviews indicated that being too close to their managers was not always comfortable and that it took them a few months to adjust to this kind of workstyle. They confessed, though, that once they managed to create a better rapport with their manager and start to see the real person behind the title, many internal formalities became unnecessary, and personal interactions became natural, spontaneous and non-theatrical.

Most of the guests who participated in the focus group interviews mentioned that they were members of other hotels and resorts groups, collecting multiple benefits, such as points and miles with those hotel groups or the affiliated airlines. Although KPG does not offer any similar points or mileage accrual benefits to their guests, this did not seem to bother anyone. Six of the regular guests indicated that they visited KPG facilities specifically for reasons and details that other resorts frequently failed to observe and deliver: privacy, uncompromised tranquility, refined local cuisine and unobstructed exposure to local nature, culture and people. All of the guests interviewed reported that they looked

forward to connecting with their local property hosts, learning about local traditions, wine, sake, food, festivals, music and events, and that travelling to a KPG always felt like a unique experience that had to be fully explored and enjoyed. Under such circumstances, the connection with the local host becomes a very important and inseparable part of the experience, and the host needs to possess the professional experience and maturity to be able to constantly deliver unique and memorable experiences.

Conclusions

The characteristic of KPG business is that of taking responsibility for everything from business planning to operation after the facility opens, guest experience creation and delivery. In other words, it is a "total production" approach to hospitality business. Having total ownership and being responsible for everything may be intimidating for less aspirational and less ambitious professionals, but once assumed, it guarantees the continuity and the profitability of the business. Under such circumstances, KPG has brought in not only new businesses but also many projects geared at the revitalization of previously failed businesses. Hospitality professionals who had worked within KPG as hoteliers or restaurateurs took it upon themselves to join other regional projects, bringing in not only the expertise of business ownership, but also the mindset of bringing one's whole self to work to create value through authentic and genuine experiences for all stakeholders.

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