

Strategic Decoupling in International Disputes

AI-Powered Analysis of the Language-Action Nexus



National AI
Research Grant



Sima Yue Ling
University of Texas at
Dallas & University
College Cork



Mike W Peng
University of Texas, Dallas



Annual Conference
Research Methods
Paper Prize

Academy of Management Meeting, 2025

When Words Become Deeds?

- How actors manage the relationship between rhetoric and economic action?
- Some employ **Strategic Decoupling** — managing word-action alignment across **time** & **audiences** to balance **credibility**–**legitimacy**
- Setting: China-Lithuania dispute (2021-2)
 - Lithuania employed conventional pure decoupling
 - China alternated coupling/decoupling over time
 - Discriminated industrial vs. consumer sectors



Antonio Prohías (1961)

Theory

Puzzle of Words vs. Deeds

- Rhetoric is inconsistent predictor of economic action
 - China-Australia dispute → Sanctions follow rhetoric (Loh & Loke 2024)
 - US-China threats → Rhetoric without action (Whang et al. 2013)
- Two Strategic Theories Compete:
 - **Economics** (Game Theory): Actors *must* couple words & costly actions to establish credibility, avoid "cheap talk."
Hyperopic (long-term) view
 - **Sociology** (Institutional Theory): Actors *frequently* decouple symbols from actions to manage conflicting pressures.
Myopic (short-term) view

Economic View: Coupling for Credibility

- Rational actors know that unbacked words will be dismissed. To be taken seriously, commitments must be costly and self-binding.
- **Credible Commitments** (Schelling 1960): Power comes from limiting one's own options, making it impossible to back down.
- **Costly Signaling** (Spence 1973): Signals are only credible if they are costly to send.
- **Reputation** (Dixit et al. , 2015): Aligning words and deeds builds reputational capital essential for future influence.

Rational strategy to maintain credibility

But does alignment always pay?

Sociological View: Decoupling is Common

- Actors separate symbolic pronouncements ("words") from operational practice ("actions") manage conflicting demands, gain legitimacy.
- **Responsive decoupling** (Meyer & Rowan 1977): Organizations adopt legitimated structures as ceremony, buffering their core work.
- **Agentic decoupling** (Westphal & Zajac, 1994): Driven by self-interest of internal agents
- **Proactive organizational choice** (Zajac & Westphal 2004) : Decoupling to exploit opportunities, reduce costs.

Rational strategy to handle institutional complexity

Resolving the Tension: A Theory of Strategic Decoupling

- **The Argument:** Some actors resolve the credibility–legitimacy tension by regulating the alignment of words and actions.
- **Mechanisms:**
 - **Temporal Discrimination:** managing *timing* and *sequencing* of rhetoric and action. Reap symbolic benefits now while deferring, minimizing, or selectively implementing costly actions later.
 - **Audience Discrimination:** Tailoring the degree of coupling for different constituencies based on their **Effective Constraint** =
$$= \text{Awareness} * \text{Comprehension} * \text{Agency}$$
- **The Result:** Decoupling not binary, but portfolio of strategic actions.

Method

Abductive, Multi-Method Approach

- Iterative process, begins with puzzle, aims for “most plausible explanation”
- Form hypotheses, test, refine, repeat
- **Case Study (Context):** In-depth analysis of the 2021-2 China-Lithuania dispute as an "information-rich" case.
- **AI Text Analysis (Language):** Measuring the *what* (sentiment, topics) of rhetoric from official and media sources.
- **Event Study (Action):** Quantifying the *what, to whom, and when* of economic impacts using detailed bilateral trade data.



Charles Sanders Peirce
(1839-1914)

Data: Comprehensive Corpus of Language & Economic Action

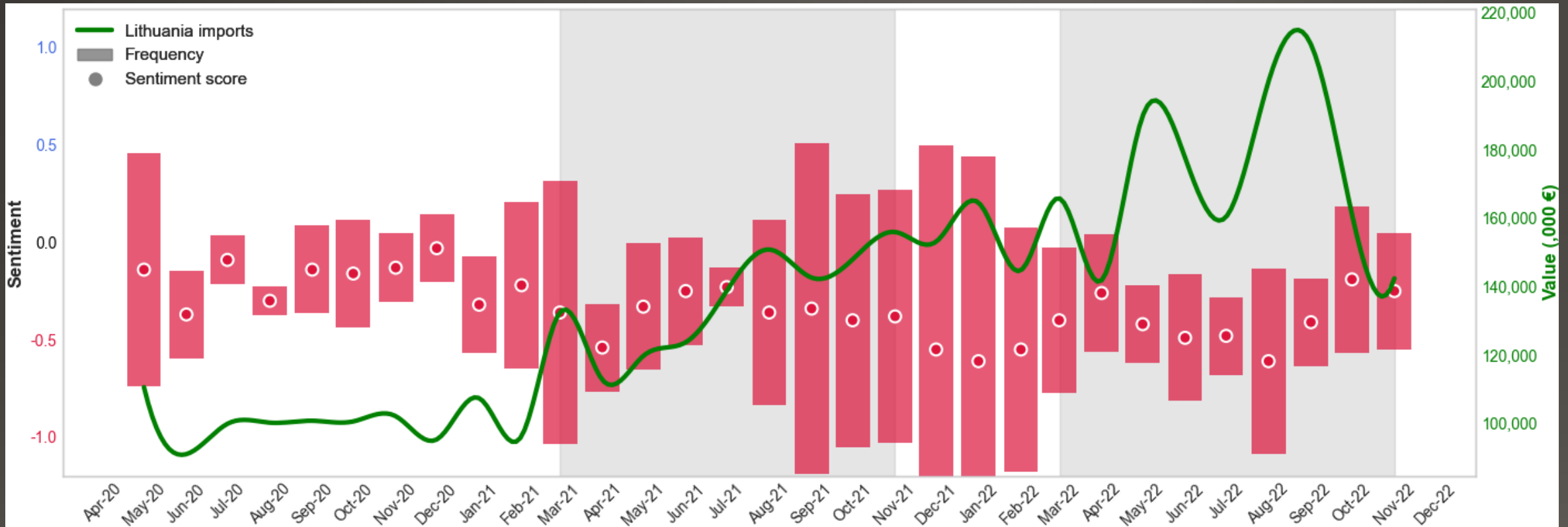
- **Textual Data** (The "Words"): 843,000+ words
 - China: Min. of Foreign Affairs statements, Xinhua News Agency articles.
 - Lithuania: Min. of Foreign Affairs statements, National Radio & TV articles.
- **Economic Data** (The "Actions"): 2005-2024
 - Source: Lithuanian Central Statistics Portal (monthly data).
 - Key Classification (for Audience Discrimination): Trade data aggregated into Industrial Products and Consumer Products.

Measuring Rhetoric: AI-Powered Sentiment and Topic Analysis

- Our Process:
 - **Aspect-Based Sentiment Analysis:** Used LLMs to assign a score to rhetoric about each country.
 - **Dynamic Topic Modeling:** Employed text-embedding models to convert text into semantic vectors, measuring how themes evolved over time.
- **Methodological Rigor:** Validated against human coders, achieving 96% concordance and ensuring robust, reproducible data.

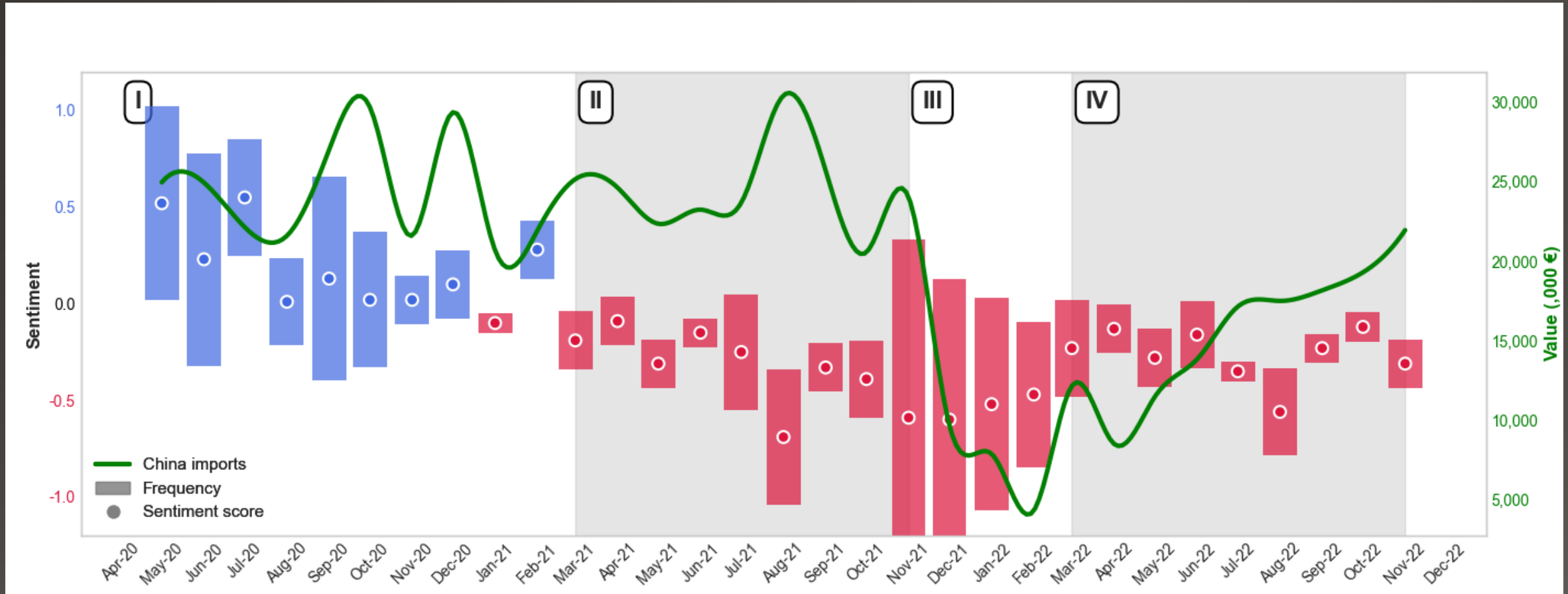
Results

1. Lithuania's Pure Decoupling



Stark, widening gap between increasingly **negative** language toward China (sentiment score plummets) and rapidly **growing** imports from China (actions).

2. China's Temporal Discrimination



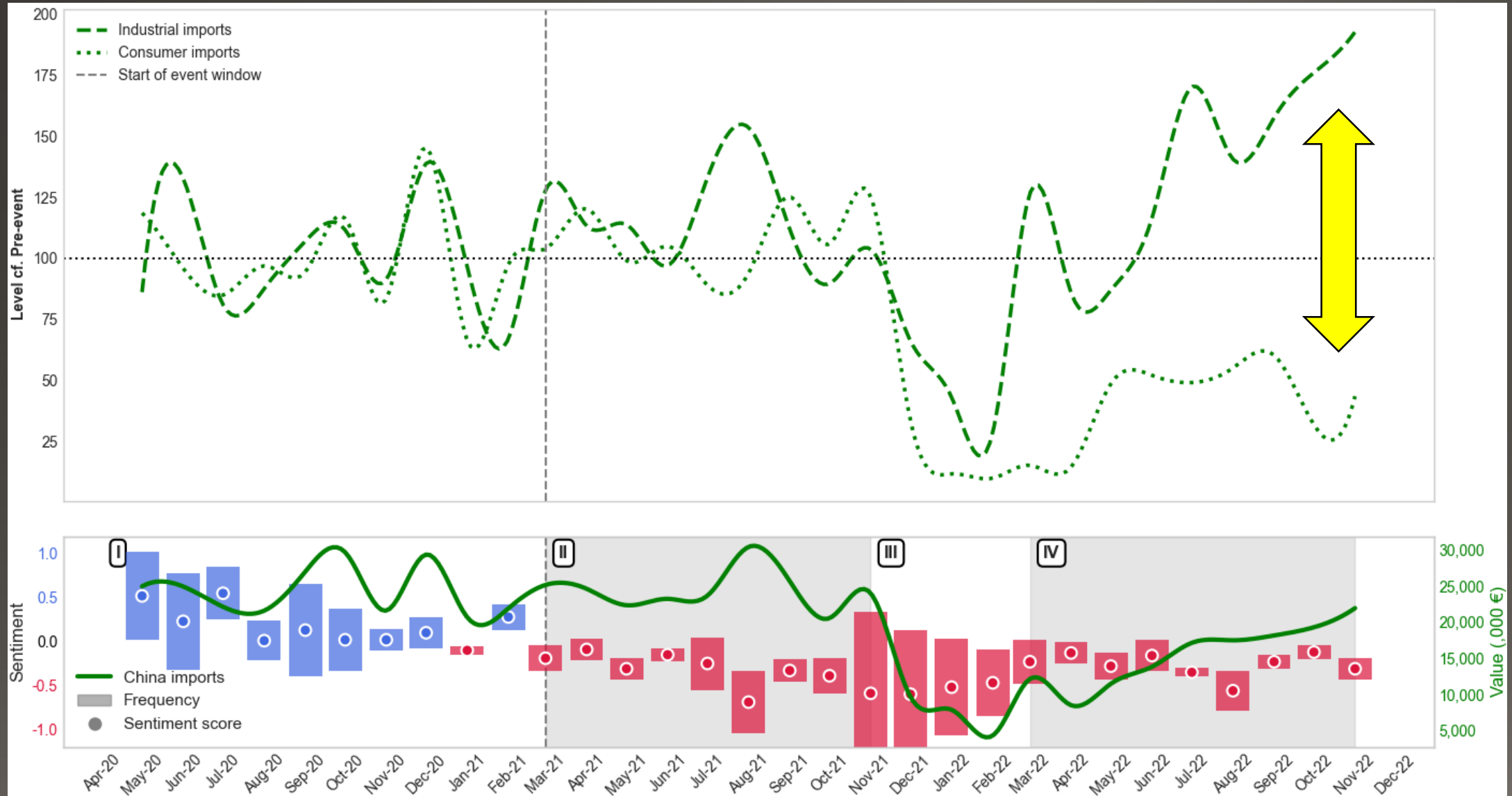
I (**Coupling**): Positive rhetoric is aligned with stable trade.

II (**Decoupling**): Hostile rhetoric escalates, but trade surges to an all-time high.

III (**Re-Coupling**): Credible punishment as trade collapses, aligning action with words.

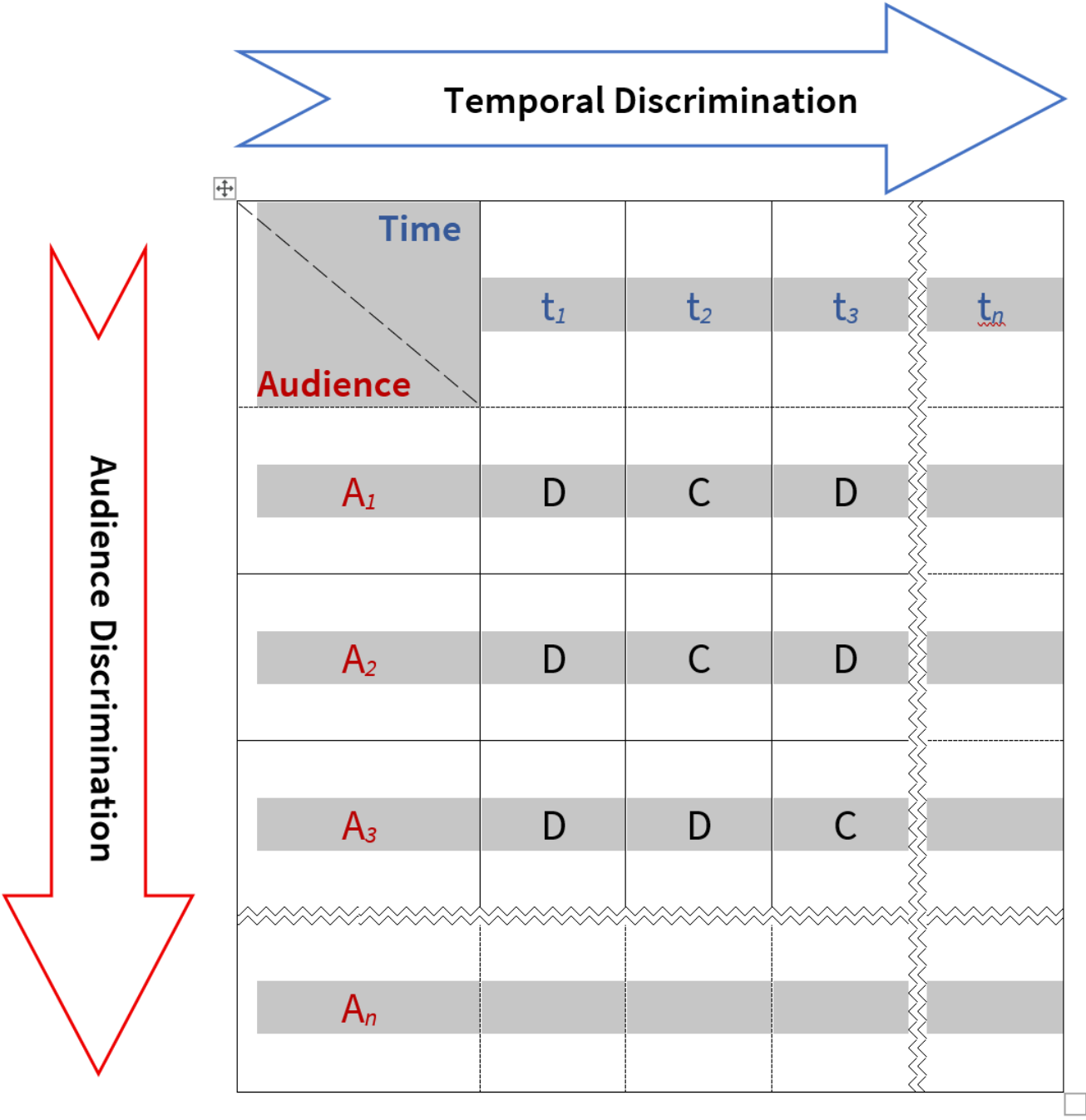
IV (**Renewed Decoupling**): Hostile rhetoric is maintained, but trade pragmatically recovers.

3. China's Audience Discrimination



Discussion & Conclusion

Strategic Decoupling Matrix



Contribution: Framework for Strategic Decoupling

- **Resolves a Theoretical Impasse:** Synthesized framework that moves beyond the binary choice between economic credibility and sociological legitimacy.
- **Microfoundations:** The model of **Effective Constraint** (Awareness * Comprehension * Agency) explains *why* audience discrimination is possible.
- **Implications for Managers & Policymakers:**
 - Treat the *divergence* between words and actions as the critical signal.
 - Assess your firm's or country's "audience" profile to understand true exposure.

When Words Become Deeds?

- How actors manage the relationship between rhetoric and economic action?
- Some employ **Strategic Decoupling** — managing word-action alignment across **time** & **audiences** to balance **credibility**–**legitimacy**
- Setting: China-Lithuania dispute (2021-2)
 - Lithuania employed conventional pure decoupling
 - China alternated coupling/decoupling over time
 - Discriminated industrial vs. consumer sectors



Antonio Prohías (1961)