Chapter 7
Concluding Thoughts

It is the summer of 2023, and as I am completing this book, China is in the 46th year of its economic reform and celebrating the 102nd anniversary of the founding of the CCP. I have framed China's capitalist transformation as an elite-led strategic and institutional change that incorporated an opposite ideology to improve its performance. However, it must be noted that the recent transformation is not the first time that capitalism was adopted in China. In the late Qing dynasty and the early Republic era, early forms of capitalism had emerged in Chinese merchants and industrialists, and the central government that was established after the last emperor had also adopted a Western-style government system. Shanghai once had a vibrant stock market, before the founding of the People's Republic, and the CCP had co-existed in a quasi-capitalist China, just not as its ruling party. Before leading the effort to found the CCP, Chen Duxiu founded the cultural magazine *La Jeunesse* (新青年) in 1915 to introduce Western liberal thought. On the cover of the first issue of the magazine is a portrait of the American industrialist and steel magnet Andrew Carnegie. *La Jeunesse* ended up being one of the most important platforms to inspire a generation of intellectuals and revolutionaries to learn from the West values that they saw as critical to saving China: science, democracy, human rights, the rule of law, and a government with separation of powers. In the early 20th century, capitalism and communism were not necessarily completely antagonistic in China, and a spectrum of ideological orientations were competing to lead China out of its semi-colonial conditions. Thus, capitalism was not new to the CCP, it was just increasingly abandoned by the CCP as it turned to the extreme left and attempted to tightly couple its communist ideology with its practice.

Although their early practical familiarity with capitalism may have helped the CCP embark on the journey to adopt capitalist practices, by the end of the Cultural Revolution, China and the West had taken hardline approaches to each other's ideology. In this context, the CCP's transformation took on some distinct features that this book's various chapters have elaborated upon.

In this concluding commentary, I would like to emphasize that one of the distinct features that has rarely been studied by China scholars is the decoupling between rhetoric and meaning. When Deng Xiaoping coined the phrase "socialism with Chinese characteristics," and earlier, when he mobilized intellectuals and the propaganda to redefine Mao Zedong Thought, he began the decoupled transformation. The rhetoric said nothing about capitalism, but the intended meaning was received clearly, and more and more competitive market measures were implemented until China achieved relatively advanced industrialization and financial marketization. Numerous rhetorical moves shifted the Chinese consciousness through multiple layers of meaning. One layer said that the country needed to change and adopt capitalism because what the CCP had

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done didn't work; another layer said that the CCP would keep its core ideology intact; and a third layer said that we (the CCP) knew that you (the Chinese citizens) thought this was contradictory, but let's not get stuck on words and instead experiment and see what works. On the receiving end of such rhetoric from the elite, the masses understood that the CCP was intent on changing its ways and was also intent on maintaining certain things, and they pushed the boundaries of what could be changed using the very rhetoric of the elites. For the most part, the rhetoric worked, perhaps because the CCP was not trying to force a tight coupling between words and meaning.

Two other transformations in China did not go so well. First, the adoption of Western institutions and ideas in the era of *La Jeunesse* was intended to be a tightly coupled change: The elites aimed to enlighten the masses and liberate them from traditional institutions and ideologies, and they attempted to establish a government commensurate with those ideas. However, the government was dominated by warlords vying for control and was only a nominal entity, and the proffered ideas of science and democracy did not take root. The second tightly coupled change was the elimination of capitalists and the private sector after the CCP declared the founding of independent China in 1949. Mao Zedong adhered to the theories of socialist central planning and mobilized ideological work and institutional coercion to stigmatize capitalists and force the private sector to submit their ownership and operations to the government in only seven years. Had the CCP implemented its earlier plan, which was to co-opt capitalists for a longer period, China's economy would not have been hit as hard.

It is worth noting that the capitalist transformation of the former Soviet Union also did not go well. Initially, the shock therapy model seemed to have great promise. The Communist Party gave up power, the communist regime was replaced by a democratic government, and SOEs were privatized. On both the political and the economic fronts, capitalism was quickly adopted and implemented, which indicated a strong intention of seeking alignment between words and meaning. However, privatization was used by the power elites to centralize resources, and the creation of liberal markets was stalled. Efforts to tightly couple beliefs and practices led to chaos and economic crisis, and what was intended to be a democratic regime turned into authoritarian rule.

In contrast, several transition economies, such as those of Poland, Czechoslovakia, and Hungary, enjoyed relatively successful capitalist transformations both economically and politically, and it appears that their transformations were tightly coupled. However, it should be noted that these countries had roots of neoliberalism before the Soviet Union forced them to adopt socialism, and when they adopted socialism, they had already developed a strong resistance to the ideology before embarking on the transformation. The most pronounced example is Czechoslovakia, where an "underground culture movement" sustained a competing ideology in the 1970s and 1980s. Thus, these countries' transformations were not a tightly coupled change from socialism to capitalism, but rather a change from a decoupled socialism to capitalism.

These examples all point to decoupled change, rather than tightly coupled change, as a success factor for transformation. More case studies are needed to lend validity to this proposition, but China's transformation represents an extreme case of decoupled change that has achieved phenomenal success, so insights drawn from this case could potentially be applicable to transformational change at other levels of analysis and in different contexts. The benefits of decoupling may also not be immediately appreciated. After all, theories of organizational change have always emphasized the importance of having a vision and achieving that vision, implying a strong coherence between what is said and what is meant. Neo-institutional theory's observations of decoupling, whether it is policy–practice decoupling or means–ends decoupling, still assume that a more tightly coupled change is more desirable, but just not what actually happens because of environmental uncertainty and organizations' attempts to simultaneously satisfy multiple and competing stakeholder pressures. In practice, decoupling can also be negative: Hypocrisy is a universally denigrated trait, and almost all cultures extol the virtue of talk–action coherence. When something fails, the blame is often placed on a failure to keep promises or a failure to have the right vision. That is, it is assumed that a successful transformation always entails having a vision that differs drastically from the present and then a full realization of that vision.

Tightly coupled changes can be costly and risky because a pre-determined and drastically different vision and implementation can trigger significant resistance, both overt and covert, which can stall, derail, or outright bankrupt the attempt to change. In contrast, decoupled changes provide all sides with the necessary time and cushioning to absorb and digest what the change entails. Decoupled changes also allow people to interpret the change messages in multiple and even contradictory ways, as long as the interpretations suit their own interests and agenda. Finally, decoupled changes, with their inherent internal tension between words and their meanings, invite decoupled responses from the audience, which is afforded a larger space for ongoing negotiation with the change. Since the change is more malleable and indeterminate, both the change proponents and the resisters can perceive more potentiality for agentic maneuvering and mutual adaptation. In decoupled changes, what words mean is a rhetorical game that people participate in, knowing that their words and meanings are not unnecessarily aligned, but knowing also that others know about the intentional decoupling and may try to bring the words and their interpretations to be more or less in alignment.

An important implication of China's transformation for organization and management theory is how to manage an organization and lead change in a decoupled manner. Contemporary organizations are distinguished by loose coupling and organized hypocrisy. This is not necessarily a bad thing, as long as participants share the understanding that words do not necessarily mean what they appear to mean and that they can actively shape what the words mean. Managers taking a decoupled approach to managing organizations do not seek perfect alignment between means and ends, be-

tween policy and implementation, or between different divisions and departments, knowing in each case that such endeavors may increase the organization's rigidity at the expense of fostering responsiveness, local innovation, and problem solving. Leaders who take a decoupled approach to leading transformations craft messages that allow for polysemous interpretations and enactments, and they do not mind or may even cultivate a shared understanding that what they say and what they mean are different but necessary to move things along.

Some organizations get trapped in making the "words" right: they formulate and refine policies and enshrine them as the organization's constitution that everyone abides by. They strive to make sure that every word has only one meaning and refers to only one action, and they work to reduce any ambiguity that might arise from the text. These organizations will unfortunately see many of their policies violated and will spend even more time formulating policies about violations of policies. Such a focus on the "words" can only exacerbate the tension between the inherent uncertainty and idiosyncrasies of individual cases and the supposedly universal applicability of policies. Such organizations have managers who hide behind policies and are incapable to make and act on their judgments. Eventually, resources wasted on "words" will incapacitate these organizations.

Today, fewer organizations—although they still exist—get trapped in getting the "meaning" right: They believe in an idea and strive to instill that idea in the minds of their members. Unfortunately, these organizations will face resistance, as there will always be people who hold an opposite idea. They double down on their initial commitment and fight the opposition in order to uphold their "meaning." These organizations have leaders who act like moral crusaders. Such a fixation on "meaning" can only exacerbate the opposition and make them even less willing to change. Changing minds is a difficult process and typically does not happen in a linear manner nor when coerced. The unwillingness to bend the meaning of words can also result in hidden resistance and covert deviation within the organization. Eventually, resources wasted on "meaning" will make these organizations rigid, polarized, isolated and, again, unable to act.

Ironically, when organizations are fixated on either words or meaning, their rhetoric will not matter that much because there is no space for creative interpretation. Perhaps it is only when an organization is neither fixated on words nor on meaning, but instead accepts the fundamental decoupling between words and meaning, that the rhetoric matters.