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# Strategic Thinking vs Strategic Planning

## Part 2

# What Part 1 Established

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## 1 **Mintzberg: planning ≠ strategy**

Planning is analysis. Strategic thinking is synthesis. Confusing the two leads to three fallacies.

## 2 **Knights and Morgan: strategy is discourse**

Strategy rationalises, legitimises, constructs identity, and enables control. It is never neutral.

## 3 **Both approaches can succeed**

IF planned its way to an IPO. Tao Kae Noi emerged from a teenager's experiments. Neither is automatically better.

## 4 **CMS asks: who benefits?**

The strategy industry, consultants, and senior managers all benefit from the idea that strategy requires experts.

**If both planning and  
thinking can succeed,  
why do people default  
to one or the other?**

And what does your answer reveal about you?

# Today's Roadmap

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1

## **Sarasvathy's Effectuation**

A theory of how expert entrepreneurs actually make decisions

2

## **The Restaurant Exercise**

Discovering whether you default to planning or thinking

3

## **Starbucks**

From a Seattle bean shop to 40,000 stores: vision, planning, and the "third place"

4

## **Mixue**

From a student's shaved ice stall to 60,000 stores: effectuation, franchising, and class

5

## **The bigger question**

Is there a "right" way to do strategy, or does that question itself serve power?

# Who Is Saras Sarasvathy?

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## THE SCHOLAR

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- Professor at the University of Virginia Darden School of Business
- PhD from Carnegie Mellon under Herbert Simon (Nobel laureate)
- Studied 27 expert entrepreneurs (5+ companies, 15+ years of experience)
- Published "Causation and Effectuation" in 2001
- One of the most cited papers in entrepreneurship research

## HER QUESTION

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***"Do expert entrepreneurs think the way textbooks say they should?"***

Answer: No.  
They use a completely different logic.

# Two Logics of Strategy

Sarasvathy (2001)

## CAUSATION

### "Strategic Planning"

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1. Start with a predetermined goal
2. Analyse the market and competitors
3. Calculate expected returns
4. Find the resources you need
5. Execute the plan

*Logic: "To the extent that we can predict the future, we can control it."*

## EFFECTUATION

### "Strategic Thinking"

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1. Start with who you are and what you have
2. Ask: what can I afford to lose?
3. Embrace surprises as opportunities
4. Build partnerships, not competitive advantage
5. Shape the future rather than predict it

*Logic: "To the extent that we can control the future, we do not need to predict it."*

# Five Principles of Effectuation

Sarasvathy (2001)

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1

## Bird in Hand

Start with your means: who you are, what you know, whom you know.

2

## Affordable Loss

Focus on what you can afford to lose, not expected returns.

3

## Lemonade Principle

Leverage surprises rather than avoiding them. When life gives lemons, make lemonade.

4

## Crazy Quilt

Build partnerships with those willing to commit, rather than competing for market share.

5

## Pilot in the Plane

Focus on what you can control. Shape the future through your actions, do not predict it.

# Mapping Part 1 onto Sarasvathy

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## IF Coconut Water

### CAUSATION

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- Started with clear goal: dominate coconut water market
- Conducted extensive market research before entering China
- Calculated expected returns, planned for IPO
- Secured resources first, then executed
- Predicted demand, then tried to meet it

## Tao Kae Noi

### EFFECTUATION

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- Started with what he had: access to seaweed, a market stall
- Risked only what he could afford to lose (school fees)
- Embraced surprises: the snack's popularity was unplanned
- Built relationships with distributors, adapted on the fly
- Shaped the market rather than predicting it

## EXERCISE

# You Are Starting a Restaurant

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Imagine you have decided to open a restaurant.

You have some savings, some cooking skills, and a few contacts in the food industry.

**What are your first three steps?**

Write them down. Be specific. You have 3 minutes.

*Adapted from Sarasvathy (2001)*

# What Your Answer Reveals

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## If you said things like...

*"Research the local market"*

*"Write a business plan"*

*"Find investors"*

*"Scout the best location"*

**You defaulted to causation.**

## If you said things like...

*"Cook for friends this weekend"*

*"Ask my friend with a cafe"*

*"See what people enjoy most"*

*"Start a pop-up stall first"*

**You defaulted to effectuation.**

**Neither is wrong.** But notice: business school teaches you to think like the left column. Sarasvathy found that experienced entrepreneurs think like the right.

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# Two Drinks, Two Logics

One charges ¥40 for a latte.

The other sells ice cream for ¥4.

Both have 40,000+ stores.

### The Journey

|       |                                                                                                          |
|-------|----------------------------------------------------------------------------------------------------------|
| 1971  | Three academics open a coffee bean retail shop in Seattle. No espresso drinks, just beans and equipment. |
| 1982  | Howard Schultz joins as head of marketing. Visits Milan in 1983 and sees espresso bar culture.           |
| 1987  | Schultz buys Starbucks for \$3.8 million. Transforms it into an espresso bar chain.                      |
| 1992  | IPO on NASDAQ. 165 stores. Clear growth plan: X stores per year, city by city.                           |
| 1999  | Enters China (Beijing). Targets the aspiration market: coffee as lifestyle, not caffeine.                |
| Today | ~40,500 stores worldwide. ~7,500 in China. Revenue \$36 billion (2024).                                  |

#### STRATEGY LENS

### Textbook causation

Schultz saw Italian espresso bars in Milan (1983) and knew exactly what to build. He set a clear goal, predicted the market, and acquired resources to execute.

Competitive analysis: positioned against existing coffee shops as "the third place" between home and work.

Expected returns: IPO, systematic growth targets, planned China expansion to 9,000 stores by 2025.

# Starbucks: The "Third Place" Question

Schultz called Starbucks the "third place" between home and work. A space to belong. But belonging costs ¥40 per latte in China. Whose third place is this?

## Who benefits from the "third place" strategy?

Shareholders and the Schultz narrative. Baristas are called "partners" but many earn close to minimum wage. The "third place" is available only to those who can afford premium pricing.

## What does the "experience" narrative naturalise?

The idea that premium coffee equals sophistication. Starbucks normalises paying 10x for coffee by selling "experience" and cultural capital. In China, a Starbucks cup becomes a class marker.

## What are the power effects?

The "third place" narrative makes it difficult to question pricing. Criticising the cost of a latte is coded as not understanding "culture." In China, Starbucks signals aspiration. Drinking cheap tea signals something else.

VIDEO

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# Howard Schultz: The Man Behind the "Third Place"

Starbucks | Founded 1971, Seattle, USA



**Watch for:** How does Schultz describe his vision? Is this strategic thinking or strategic planning?

Duration: check before class (see speaker notes)

[youtube.com/watch?v=HLp7QnymJiQ](https://youtube.com/watch?v=HLp7QnymJiQ) 14

# BROOKLYN

TO

# BILLIONS

Howard Schultz



### The Journey

- 1997** Zhang Hongchao, a college student in Zhengzhou, borrows ¥3,000 from his grandmother and opens a shaved ice stall.
- 1999** Fails multiple times, relocates six times. Renames the business Mixue Bingcheng (蜜雪冰城).
- 2006** Launches ¥1 ice cream cone. Finds the formula: extreme affordability through cost control.
- 2007** First franchise store opens. The model emerges not from a plan but from a loyal customer asking to replicate the shop.
- 2020s** Theme song goes viral. 59,823 stores by Dec 2025. Hong Kong IPO in March 2025, raising \$444 million.

#### STRATEGY LENS

### Effectuation in action

**Bird in Hand:** A student with ¥3,000 and shaved ice skills. No plan.

**Affordable Loss:** Could only risk grandmother's money. Each failure was survivable.

**Lemonade Principle:** Winter killed ice sales, so he pivoted. Failed in Hefei, returned to Zhengzhou.

**Crazy Quilt:** First franchise came from a loyal customer, not a growth strategy.

**Pilot in the Plane:** Built vertical supply chain to control costs rather than predict demand.

# Mixue: Whose Success?

Mixue is celebrated as a success story for ordinary people. But 90% of the risk sits with franchisees, while Mixue profits from the supply chain. Whose entrepreneurship is this?

## Who benefits from Mixue's "affordability"?

Zhang Hongchao and the central company. Revenue of ¥33.56 billion (\$4.95B) flows mainly from selling supplies to franchisees, not from customer sales. Franchisees bear operating costs, rent, and labour risk. The founder's IPO raised \$444 million. Individual store owners work on razor-thin margins.

## What does the "affordable" narrative naturalise?

The idea that Mixue serves the people by keeping prices low. But low prices require low wages and minimal margins for franchisees. "Affordability" naturalises an extraction model where the centre profits and the edges absorb the risk. Who decided this was empowerment?

## What are the power effects?

Mixue's success is framed as "disruption" or "low-end" rather than as legitimate strategy. Business schools study Starbucks, not Mixue. The strategy discourse values "premium positioning" over affordability. Whose consumption counts as "strategic"?

VIDEO

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# MIXUE: The \$1 Ice Cream Cult That Conquered the World

Mixue 蜜雪冰城 | Preview and select before class



**Watch for:** How did Mixue grow without the resources Starbucks had? Who carries the risk in this model?

Duration: check before class (see speaker notes)

[youtube.com/watch?v=dQPmqlggAHI](https://youtube.com/watch?v=dQPmqlggAHI) 17

**\$1**  
MIXUE



**\$7**  
THEM

# Starbucks vs Mixue

What Explains the Difference?

| Dimension             | Starbucks                                                                                   | Mixue                                                                                         |
|-----------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| <b>Founded</b>        | 1971 (Seattle, USA)                                                                         | 1997 (Zhengzhou, China)                                                                       |
| <b>Founder</b>        | Howard Schultz<br>(marketing executive)                                                     | Zhang Hongchao<br>(college student, ¥3,000)                                                   |
| <b>Logic</b>          | Pure causation.<br>Clear vision from Milan trip,<br>systematic execution.                   | Effectuation throughout.<br>Adapted, failed, pivoted,<br>built from what he had.              |
| <b>Business model</b> | Premium pricing, owned stores.<br>"Third place" experience.<br>Cultural capital as product. | Extreme affordability, franchise.<br>Supply chain as profit centre.<br>~30 SKUs, ¥4–10 range. |
| <b>CMS question</b>   | "Third place" discourse<br>naturalises premium pricing.<br>"Partner" language masks wages.  | Whose success?<br>90% risk on franchisees.<br>Business schools ignore it.                     |

## DISCUSSION

Is there a "right" way to do strategy?  
Or does that question itself serve power?

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**A**

Starbucks shows causation works. Mixue shows effectuation works. Just pick the right tool.

**B**

The "right" approach depends on your resources, your context, and what you can afford to lose.

**C**

Asking "which is right?" keeps us focused on technique, and stops us asking who benefits.

**D**

Strategy frameworks are tools of power. They always serve someone's interests.

# Key Takeaways

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1

## **Expert entrepreneurs do not follow the textbook.**

Sarasvathy (2001) found they use effectuation: start with what you have, not with a goal.

2

## **Both causation and effectuation can produce extraordinary results.**

Starbucks used causation (vision, planning, resources). Mixue used effectuation (adapting, failing, building). Context matters.

3

## **The "success story" always has a human cost.**

Starbucks masks low wages with "partner" language. Mixue shifts risk to franchisees. Both narratives centre the founder.

4

## **Asking "which approach is right?" may itself be a power move.**

It keeps the focus on technique and away from the question CMS asks: who benefits from the way strategy is done?

Next Week

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# Week 7

New topic. Details on the VLE.

- Tutorial presentation groups continue
- Check the VLE for your essential reading
- Bring your CMS lens: we will keep using it

Tutorial preparation is due. Essential reading is on the VLE.

# References

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Fournier, V. and Grey, C. (2000) 'At the critical moment: Conditions and prospects for critical management studies', *Human Relations*, 53(1), pp. 7–32.

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Schultz, H. and Gordon, J. (2011) *Onward: How Starbucks Fought for Its Life without Losing Its Soul*. New York: Rodale.

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Thompson, C.J. and Arsel, Z. (2004) 'The Starbucks Brandscape and Consumers' (Anticorporate) Experiences of Glocalization', *Journal of Consumer Research*, 31(3), pp. 631–642.

Wang, J. (2023) 'Mixue Bingcheng: Supply Chain Strategy and Franchise Expansion in China's Beverage Industry', *Asian Business and Management*, 22(4), pp. 1456–1478.

Whittington, R. (1993) *What is Strategy, and Does it Matter?* London: Routledge.

Porter, M.E. (1980) *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press.

# Tutorials

# Formal Business Report

2,000 Words (+/-10%)

A CEO has received complaints about management practices.  
You must prepare a formal report that investigates current management styles, evaluates Mainstream and Critical theories, and proposes recommendations using Gap Analysis and the Balanced Scorecard.

# Report Structure

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|                                                                            |                          |                                                                       |
|----------------------------------------------------------------------------|--------------------------|-----------------------------------------------------------------------|
| 1                                                                          | <b>Cover Page</b>        | Module title, report title, your name, student number, lecturer, date |
| 2                                                                          | <b>Executive Summary</b> | Brief overview of the entire report (written last)                    |
| 3                                                                          | <b>Contents Page</b>     | Numbered headings with page numbers                                   |
| 4                                                                          | <b>Introduction</b>      | Company choice, key definitions, aims and objectives                  |
| 5                                                                          | <b>Main Findings</b>     | Theories, analysis, evidence, discussion                              |
| 6                                                                          | <b>Conclusion</b>        | Summarise findings, no new material                                   |
| 7                                                                          | <b>Recommendations</b>   | Actionable proposals measured via Balanced Scorecard                  |
| 8                                                                          | <b>References</b>        | Minimum 20 credible academic sources (Harvard)                        |
| All headings must be numbered hierarchically (1.0, 1.1, 1.2, 2.0, 2.1 ...) |                          |                                                                       |

# Word Count Breakdown

2,000 words (+/-10%) = 1,800 to 2,200 words

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Introduction  
~200 words

Main Findings  
~1,600 words

Conclusion  
~200 words

## **Introduction (~200 words)**

Select your company. Explain what the report will investigate. Define key terms (management style, organisational culture, ethical management). State your aims and objectives.

## **Main Findings (~1,600 words)**

Review the company. Identify issues using Mainstream and Critical theories. Apply Gap Analysis (current vs desired state). Propose recommendations. Measure using the Balanced Scorecard.

## **Conclusion (~200 words)**

Summarise your findings. Highlight the benefits of the recommended approach. No new material here.

# Your Theoretical Toolkit

What the examiner expects to see in your Main Findings

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## 1 Mainstream Theories

Classical management, scientific management (Taylor), bureaucracy (Weber), human relations (Mayo), contingency theory. These are the "textbook" approaches.

## 2 Critical Theories (CMS)

Fournier and Grey (2000): denaturalisation, anti-performativity, reflexivity. Knights and Morgan (1991): strategy as discourse. Labour process theory. Power and control.

## 3 Gap Analysis

Where is the organisation now? (current state)  
Where should it be? (desired state)  
What is the gap?  
How do we close it?

## 4 Balanced Scorecard

Kaplan and Norton (1996). Four perspectives:  
Financial, Customer, Internal Processes, Learning and Growth. Use this to measure your recommendations.

# How It Should Flow

## 2.1 Company Overview

Background, industry, size, current management approach. Set the scene.



## 2.2 Identify the Problems

What are the complaints? Use real evidence (news articles, reports, Glassdoor reviews).



## 2.3 Analyse with Theory

Apply Mainstream theories to explain the current approach. Then apply CMS to critique it.



## 2.4 Gap Analysis

Current state vs desired state. What needs to change?



## 2.5 Recommendations

Propose changes. Measure each one using the Balanced Scorecard (all four perspectives).

# Choosing Your Company

Pick a company where you can find evidence of management complaints

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## Good Choices

Large, well known organisations with publicly available information

Companies with documented management issues (news coverage, reports, reviews)

Organisations where you can identify a clear management style to analyse

Companies with enough data for 20+ academic references

## Risky Choices

Very small or local businesses with little public information

Companies you cannot find academic sources about

Your own employer (bias concerns and limited published evidence)

Companies with no documented management issues to investigate

## Where to find evidence of management complaints:

News articles, BBC/Reuters/Financial Times reports, Glassdoor/Indeed employee reviews, annual reports, industry journals, government inquiries, union statements, academic case studies

# Academic Requirements

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## References

**20** minimum  
credible academic  
sources

Academic journals and textbooks

Industry reports and credible news

Module reading list sources

All must appear as in-text citations

## Formatting

**Font** Arial or Calibri, size 12

**Spacing** 1.5 line spacing

**Alignment** Justified text

**Headings** Numbered hierarchically

**Style** Formal business report tone

## What Counts as a Credible Source?

**Strong:** peer-reviewed journals, textbooks  
from the reading list, government reports,  
established business publications (HBR, FT)

**Weak:** Wikipedia, random blogs, AI-generated  
text, undated web pages, lecture slides as  
your only source

# Common Mistakes

✗ Writing an essay instead of a report

✓ Use numbered headings, formal structure, executive summary

✗ Describing theories without applying them

✓ Every theory must connect to your company's situation

✗ Only using mainstream OR critical theories

✓ You need both. Evaluate mainstream, then critique with CMS

✗ Recommendations with no measurement

✓ Each recommendation links to the Balanced Scorecard

✗ No evidence that complaints exist

✓ Use real sources to show there IS a management problem

✗ Exceeding the word count significantly

✓ Stay within 1,800 to 2,200 words. Edit ruthlessly

# Before You Submit

Use this checklist to self-assess your report

- ☐ Cover page includes module code, report title, your name, student number, lecturer, date
- ☐ Executive summary provides a clear overview of the whole report
- ☐ Contents page with numbered headings and page numbers
- ☐ Introduction defines key terms, names your company, states aims and objectives
- ☐ Main body applies BOTH mainstream AND critical management theories
- ☐ Gap analysis identifies current state, desired state, and the gap between them
- ☐ Recommendations are specific, actionable, and measured via the Balanced Scorecard
- ☐ Conclusion summarises findings without introducing new material
- ☐ Minimum 20 credible academic references, all cited in-text (Harvard format)
- ☐ Word count is between 1,800 and 2,200 words
- ☐ All headings numbered hierarchically (1.0, 1.1, 2.0, 2.1 ...)
- ☐ Arial or Calibri font size 12, 1.5 spacing, justified text

**Proofread your report at least twice before submitting.**

# Thank you

University of Wales  
Trinity Saint David

