

PAMELA PARK

Build-Buy-Blend: Strategic Decision Making for Tech Leaders

In a world of global dependencies and rapid technological advancements, leaders face a pressing strategic question as they grow their firms:

Should we build, buy, or blend the capabilities we need to win?

This paper introduces the *Build-Buy-Blend* (B3) framework, a modern decision-making framework for leaders that updates classic strategic management theories for today's platform-integrated economy (see Appendix).

This framework helps leaders decide whether to Build capabilities internally, Buy capabilities externally, or Blend through modular hybrid approaches, all while navigating trade-offs between control, speed, and innovation.

Intellectual Roots of the Build-Buy-Blend Framework

Build-Buy-Blend expands upon economist David Teece's dynamic capabilities framework in the strategic management literature. The dynamic capabilities framework centers on a firm's ability to sense, seize, and transform in environments of rapid change. Once a firm has sensed an opportunity (like a technological, market-based, or regulatory shift), the firm must act decisively to seize it.

The *Build-Buy-Blend* framework operationalizes how tech firm leaders can "seize" capabilities. It offers a practical decision-making structure to turn sensed opportunities into structured execution pathways: to build capabilities internally, buy capabilities externally, or blend through hybrid approaches.

The Build-Buy-Blend Framework

Build

The Build posture involves full internal development of capabilities. It is used when control, customization, or long-term autonomy are critical. Build strategies often involve vertical

1

This case was supported by the Sutardja Center for Entrepreneurship & Technology. It was based on the author's industry research and recommended readings. Berkeley Engineering cases are developed solely as the basis for class discussion.

Copyright © 2025 by Dr. Pamela Park. All rights reserved. No part of this publication may be reproduced, stored, or transmitted in any form or by any means without the express written permission of the author.

integration across the stack. For example, Apple's development of its M1 chip or Tesla's decision to produce batteries in-house represent Build strategies that prioritize autonomy, tight integration, and long-term differentiation. While Build enables innovation and control, it comes with high investment, slower speed to market, and significant execution risk.

Buy

Buy refers to externally acquiring capabilities through acquisition or outsourcing. It is often used when speed is paramount and the environment is stable. For example, Facebook's acquisition of Instagram enabled rapid entry into mobile photo sharing. Buy strategies offer speed and efficiency but can result in platform dependency and loss of differentiation. They are especially effective for market entry or rapid capability expansion when internal development is impractical. However, Buy strategies risk low control and commoditization.

Blend

Blend represents a modular integration of internal and external elements. It is distinct from formal alliances or joint ventures. Blend strategies combine in-house strengths with external capabilities in ways that are adaptive and often informal. OpenAI's integration with Microsoft's Azure cloud exemplifies Blend, as does Shopify's use of AWS while retaining control over its commerce stack. Blend allows faster scaling and shared development while retaining strategic influence. However, it can introduce governance complexity and integration challenges.

TABLE 1 – Build-Buy-Blend Framework

Strategy	Definition	Features	When to Use	Benefits	Costs/Risks
Build	Creating internal capabilities	• High control • Slow speed • Customized	When strategic control, IP ownership, or deep integration is the top priority	• Control • Customized • Autonomy • Innovation • Sustainable advantage	• High capital cost • Long term investment • Slower time-to-market • Risk of internal failure
Buy	Acquiring external capabilities	• Low control • Fast speed • Commoditized	When fast execution or market entry is the top priority	• Speed • Efficiency • Optimization • Focus on core competencies	• Platform lock-in • Dependency • Hard to sustain advantage • Loss of differentiation
Blend	Hybrid approach mixing internal and external capabilities	• Selective control • Adaptable • Modular	When speed matters, but control or customization is still a priority	• Shared cost • Faster scaling • Access to expertise	• Complex integration • Risk of misaligned goals • Governance overhead

Build Case Study: Apple and the M1 Chip

Apple CEO Tim Cook is famous for his view that Apple should pursue a “long-term strategy of owning and controlling the primary technologies behind the products we make.” However, this “Tim Cook Doctrine” requires significant investment in capital. After a productive 15-year run with Intel’s processors in Apple computers, Apple’s leaders had a critical decision:

Should Apple build, buy, or blend its chip capabilities?

In 2020, Apple announced it was replacing Intel processors in Mac computers and would *build* its own custom M1 silicon chip, based on ARM technology (originally designed for Apple’s mobile devices). While the effort took billions in R&D expense and spanned a complex multi-year development cycle, this shift in approach to *Build* allowed Apple to optimize performance, battery life, and security by aligning the chip architecture with its software stack. Designing and developing the M1 chip internally also meant Apple had full ownership of hardware and software and could tightly integrate across Mac, iPhone, iPad, and services like iCloud. Autonomy over chip design reduced Apple’s reliance on third party chipmakers like Intel and improved Apple’s long-term competitiveness and R&D capabilities.

With the M1 chip, Apple gained autonomy and increased control over its strategic stack: its own R&D chip design expertise, integrated ecosystem, Mac operating systems (OS), and hardware. By choosing to *build* this deep vertical integration, Apple achieved enhanced user experience, long-term innovation capability, and performance control across both software and hardware layers.

Buy Case Study: Facebook (Meta) and Instagram

In 2012, Facebook (now Meta) sensed a shift in the competitive social media market with more users sharing photos due to improved built-in cameras on mobile phones. Its leaders had a critical decision:

Should Facebook build, buy, or blend these mobile photo sharing capabilities?

Facebook opted to *buy* Instagram for \$1 billion to rapidly gain ground in mobile photo sharing and expand its social media dominance. Instead of building a competitor, Facebook acquired a rising platform. The advantages of the *buy* approach for Facebook included full ownership over Instagram’s mobile app, fast market entry, mobile photo expertise, and acquisition of a younger user base. Instagram also benefited from Facebook’s advertising infrastructure and an attractive \$1 billion price, a significant amount at the time.

On the flip side, the *Buy* approach also had its disadvantages. Integrating and running two product ecosystems meant increased complexity and dealing with ongoing management, especially with Facebook and Instagram’s cultural and operational differences. Facebook’s acquisition of Instagram also drew regulatory scrutiny and anti-trust concerns that continue to the present day.

Blend Case Study: OpenAI and Microsoft

Modern AI companies increasingly seek control over their strategic stack: compute (via specialized chips or cloud access), data (via partnerships or proprietary datasets), and model development. AI model development requires enormous amounts of compute which can be cost prohibitive for a new startup. Early on, the leaders at AI non-profit OpenAI faced a key decision:

Should OpenAI build, buy, or blend compute capabilities?

In 2019, Microsoft and OpenAI announced that Microsoft would invest \$1 billion in OpenAI and would form an exclusive computing partnership to build Azure AI supercomputing technologies. The partnership combined OpenAI's AI model development with Microsoft's Azure cloud infrastructure and enterprise distribution. With this effort, OpenAI adopted a *Blend* strategy by partnering with Microsoft Azure for compute while retaining control over its AI models and direction.

The advantages of this hybrid approach included scalability, market reach, speed, and selective autonomy. Microsoft Azure's compute power enabled OpenAI to train large models and Microsoft's API and helped expand adoption of OpenAI's ChatGPT quickly with its strong relationships with enterprise customers. In terms of autonomy, OpenAI retained control over model design and research direction.

While beneficial, the *Blend* approach did have considerable downsides. OpenAI's original mission seemed to be misaligned with Microsoft's commercial goals. OpenAI also had high financial dependence on Microsoft as well as high dependence on Azure for compute and storage (e.g. if Azure faced outages, OpenAI's operations could be disrupted).

Conclusion

The *Build-Blend-Buy* framework provides a valuable decision-making framework for leaders to assess strategic capabilities in times of change and choose from three distinct postures to source capabilities. Used wisely, *Build-Blend-Buy* helps leaders design more adaptive organizations ready to survive and thrive in a dynamic world.

Discussion Questions

1. Which posture would you recommend for a startup building a new AI product reliant on large-scale compute? Why?
2. What factors would justify a company shifting from *Buy* to *Build* over time?
3. How do resource availability and internal capabilities influence the choice between *Build*, *Buy*, or *Blend*?

4. How do *Build-Buy-Blend* decisions impact an organization's long-term competitiveness and adaptability in dynamic environments?
5. What leadership skills are needed to manage each posture effectively?

APPENDIX – Differentiating Build-Blend-Buy from Existing Concepts

Strategic leaders must decide how to source critical capabilities, but current theory assumes a binary choice: Build or Buy. Real-world decisions (e.g. OpenAI/Microsoft) reveal a missing category: *Blend*.

The *Blend* construct should not be confused with existing concepts like alliances or joint ventures which are formal, contract-based partnerships. By contrast, Blend is a modular, flexible integration mode for combining internal and external capability elements without requiring formal partnership. Other activities under *Blend* include renting, borrowing, and co-development.

Concept	Core Logic	Legal Structure	Mode of Control	Example
Alliance	Joint creation of value	Joint venture, formal partnership	Shared	Airbus
Build	Internal development of capabilities	In-house ownership	Full	Tesla chip design
Buy	External acquisition of capabilities	Purchase via contract	Limited	IBM buying Red Hat
Blend	Modular mix of capabilities	Varies	Selective, layered	OpenAI + Microsoft API integration

RECOMMENDED READINGS

1. CNBC. (2020, November 10). *Apple is breaking a 15-year partnership with Intel on its Macs - here's why*. <https://www.cnbc.com/2020/11/10/why-apple-is-breaking-a-15-year-partnership-with-intel-on-its-macs-.html>
2. CNBC. (2019, August 3). *Apple is spending more than ever on R&D to fulfill the 'Tim Cook doctrine'*. <https://www.cnbc.com/2019/08/03/apple-rd-spend-increases-fulfilling-tim-cook-d>
3. Emmer, M. (2024, January 29). *Why Vertical Integration Is The Path To Strategic Advantage*. Forbes Business Council. <https://www.forbes.com/councils/forbesbusinesscouncil/2024/01/29/why-vertical-integration-is-the-path-to-strategic-advantage/>
4. Microsoft. (2019, July 22). *OpenAI forms exclusive computing partnership with Microsoft to build new Azure AI supercomputing technologies*. Microsoft News Center. <https://news.microsoft.com/2019/07/22/openai-forms-exclusive-computing-partnership-with-microsoft-to-build-new-azure-ai-supercomputing-technologies/>
5. Reuters. (2024, November 13). *Meta will face antitrust trial over Instagram, WhatsApp acquisitions*. <https://www.reuters.com/legal/meta-will-face-antitrust-trial-over-instagram-whatsapp-acquisitions-2024-11-13/>
6. Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509-533.