

Rapid AI Power Plays Are Reshaping Competitive Strategy

Executive Summary

A flurry of AI advances and deals over the past two days signals a new phase of competition. From AI leaders building their own chips to incumbents spending billions on AI infrastructure and startups launching industry-disrupting models, the race to secure AI leadership is accelerating.

In-House Silicon: OpenAI's Custom Chip for AI

OpenAI has entered the semiconductor arena with “Jalapeño,” its first custom-designed AI inference chip built in partnership with Broadcom ([www.cnbc.com \[1\]](https://www.cnbc.com/2026/06/24/openai-and-broadcom-reveal-jalapeno-first-ai-chip-in-partnership.html#:~:text=intelligence%20silicon,to%20end%20in%20nine%20months)). Announced this week, the chip is optimized for running large language models like ChatGPT and was developed from scratch in just nine months with assistance from OpenAI's own AI systems ([www.cnbc.com \[2\]](https://www.cnbc.com/2026/06/24/openai-and-broadcom-reveal-jalapeno-first-ai-chip-in-partnership.html#:~:text=intelligence%20silicon,to%20end%20in%20nine%20months)). By tailoring hardware to its software, OpenAI aims to boost performance and efficiency for its services while reducing its reliance on Nvidia's GPUs ([techcrunch.com \[3\]](https://techcrunch.com/2026/06/24/openai-unveils-its-first-custom-chip-built-by-broadcom/#:~:text=was%20officially%20announced%20in%20October%2C,that%20will%20be%20able%20to)).

OpenAI's vertical integration strategy mirrors moves by other tech giants. Google and Amazon have already invested in developing their own AI accelerators to optimize machine learning workloads and reduce dependence on external chip suppliers ([techcrunch.com \[4\]](https://techcrunch.com/2026/06/24/openai-unveils-its-first-custom-chip-built-by-broadcom/#:~:text=was%20officially%20announced%20in%20October%2C,that%20will%20be%20able%20to)). By co-designing chips that are finely tuned to their AI models, these firms seek performance-per-watt gains and lower operating costs, which can translate into a lasting competitive edge in deploying AI at scale.

Control over hardware provides strategic benefits beyond just technical specs. Owning a custom chip supply can help OpenAI ensure adequate computational capacity for its AI models amid surging global demand ([techstartups.com \[5\]](https://techstartups.com/2026/06/25/top-tech-news-today-june-25-2026/)). It also challenges Nvidia's dominance: by providing an alternative to Nvidia's ubiquitous GPU ecosystem, OpenAI's move could spur more competition in the market for AI infrastructure, potentially leading to more supplier options and lower costs for AI developers and enterprises.

For executives, this development highlights that the frontier of AI competition now extends to infrastructure. The ability to innovate across the full stack—from silicon to software—may determine which companies can sustain leadership in an industry where technical advantages are rapidly replicated.

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For incumbent platforms, dominating India's cloud and AI landscape is about more than growth—it's a long-term defensive play. By entrenching their technology early with Indian enterprises and public sector projects, companies like Amazon aim to lock in customers and ward off both local competitors and global rivals. However, regulators are taking notice of such concentration: the European Union is moving to designate major cloud providers like AWS and Azure as gatekeepers, seeking to ensure more openness and fair competition in the foundational infrastructure powering the AI economy (techstartups.com [4]) (techstartups.com [5]). This signals that as platforms race into new markets, they will also face increasing scrutiny over how they wield their scale and ecosystem power.

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China's AI Ambitions: Open Models and IP Arms Race

A Chinese startup's breakthrough this week is challenging the notion that only U.S. tech giants lead in advanced AI. Beijing-based Zhipu AI, known as Z.ai, released a new open-source model called GLM-5.2 with an enormous 753 billion parameters (techstartups.com [1]). Remarkably, this model has outperformed OpenAI's state-of-the-art GPT-5.5 on software coding tasks while operating at roughly one-sixth the cost, according to Zhipu's data (techstartups.com [2]).

Equally significant is Zhipu's decision to open-source these capabilities. The core code and weights of GLM-5.2 have been made freely available under an unrestricted MIT license, allowing enterprises to use and adapt the model at will (venturebeat.com [3]). The system also boasts a 1 million-token context window—far larger than those of most Western models—enabling it to process extraordinarily lengthy inputs or complex tasks without breaking context (techstartups.com [4]). In short, China's AI sector is showing it can not only catch up to Silicon Valley, but potentially leapfrog it by harnessing open innovation at scale.

Not all competition is playing out in the open. In a more covert clash, Anthropic—a U.S. AI lab—alleges that researchers tied to China's tech giant Alibaba carried out the largest known "model distillation" effort to copy Anthropic's AI (www.cnbc.com [5]). Over six weeks, roughly 25,000 fake accounts reportedly engaged in 28.8 million interactions with Anthropic's Claude model in an attempt to extract its capabilities and train Alibaba's own system (www.cnbc.com [6]). Anthropic condemned the campaign as 'brazen' and 'illicit' and alerted U.S. authorities (www.cnbc.com [7]).

Together, these developments showcase both innovation and aggression in China's pursuit of AI leadership. For global businesses, the rise of open-source challengers and the specter of state-backed tech rivalry mean no incumbent's lead is safe. The pace of advancement and the lengths to which players will go make clear that competitive advantage in AI may prove transient unless continually defended by innovation and strategic vigilance.

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