Abstract: The literature concerning firm boundaries has focussed extensively on the rationale for different boundary choices and the resulting economic efficiencies that may accrue. There is an acknowledged position that a firm’s capabilities impact optimal firm boundary choices, however, the potential to reverse this relationship such that firms make (potentially sub-optimal) boundary choices to build new capabilities is not clearly understood. It is in this context that we seek to investigate how firms make this potential trade-off in respect of their boundary choices and how these choices are implemented across a wide range of activities. Using qualitative data from three public sector construction oriented organizations, we observe that neither pure make nor buy decisions assisted significantly in capability building. Dual modes – where firms make and buy the same product or service simultaneously – provided firms with some opportunities to manage this paradox, but the most successful decisions seemed to occur in respect of using intermediate governance modes such as alliances. We also observed that the boundary choice was just one dimension of the capability building process and firms pursuing the same boundary choice decisions often had quite divergent outcomes on the basis of their boundary management and the ability of knowledge to move across firm boundaries.