

# How Manufacturing Firms Compete with Industrial Software: A Dynamic Capabilities Perspective

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## **Abstract**

Drawing on the Dynamic Capabilities Perspective, this research explores how manufacturing firms rely on industrial software to foster their competitive position in a rapidly changing market environment. When digitizing their market offerings, manufacturers can add industrial software for exploration or exploitation purposes. With an exploitation mindset, they rely on software to improve the efficiency and effectiveness of their existing, hardware-centric market offerings. In contrast, with an exploration mindset, they recognize software as a new and unique opportunity to unleash untapped market growth potential. Both, exploration and exploitation require new knowledge and skills that manufacturing firms can either develop in-house or integrate by cooperating with external partners. Combining both dimensions (exploitation vs. exploration and internal vs. external capabilities), we propose a typology of four strategy types that explains how manufacturing firms compete with industrial software in business markets.

**Subject Areas:** *Business-to-Business Marketing, Marketing Strategy, Organizational Learning*

**Track:** Business-To-Business Marketing & Supply Chain Management