**Abstract**

Industrial firms are under severe pressure to undertake digital transformation and leverage the Industrial Internet of Things (IIoT). Yet, there is next to no scholarly guidance for such an endeavor. Drawing on dynamic capability theory, the purpose of this paper is to provide a new conceptual framework for digital transformative capability (DTC) development. The conceptual framework is supplemented by exploratory qualitative interviews with senior executives from large multinational firms. Seven themes emerge from the qualitative interviews. The themes form an integrative conceptual framework for DTC development. Collectively, the article makes the case for DTC and sheds new light on the digital transformation process. Implications of DTC for dynamic capability theory and practice are discussed.

**Keywords**: Digital transformation, dynamic capability, industrial internet of things, IIoT