ITIL® 4

ESSENTIALS

Your essential guide for the ITIL 4 Foundation exam and beyond

Second edition

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CHAPTER 1: KEY CONCEPTS OF SERVICE MANAGEMENT

We're going to start by taking a look at what service management actually means. Service management describes a way of working within an organisation that helps to deliver value to the organisation's customers, so it is worth spending time analysing its definition, along with some of the related concepts.

Why is service management important?

In today's world, information technology (IT) is a fully integrated part of everyone's life. Whether using a smartphone, withdrawing cash from an ATM, paying bills, or booking tickets on the Internet, IT is present in everything we do. It often plays a supporting role, so we don't even think about what we are using until it stops working.

In the modern business organisation, we see the same reliance on IT and IT-enabled services. Every department, from finance and customer services through to logistics, relies on IT to carry out its role effectively and efficiently. Effectiveness refers to whether IT is able to achieve its objectives. Efficiency refers to whether IT uses an appropriate amount of resources. An efficient IT organisation will use optimal amounts of time, money, staff, etc.

Now, more than ever, organisations need effective and efficient IT to survive. IT supports critical business processes that generate revenue, serve customers and allow business goals to be achieved. At the same time, the IT department or

IT organisation is under more and more pressure to deliver better services, often at a reduced cost. It needs to find a balance between supply and demand, service cost and service quality.

To make sure that IT can support business objectives properly, organisations need service management. Service management makes sure that the IT-enabled services delivered do what the business needs, when the business needs it.

With effective support and good-quality IT-enabled services, organisations can adopt bold strategies, including the expansion of existing services and movement into new markets. With poor-quality services, organisations will struggle to deliver what they do now, let alone expand and offer anything new or exciting. Now, when many organisations are adopting a strategy focused on 'digital transformation', this topic becomes even more relevant.

Why use ITIL® for service management?

It is worthwhile asking 'what is ITIL and why is it important?' ITIL is considered best practice for IT service management (ITSM). It was originally developed by the UK government, and is now adopted by many organisations in both the public and private sectors globally.

ITIL is not a prescriptive standard that must be followed. It does not say what must be done in a service provider organisation, and there is no certificate or award for successfully adopting ITIL in an organisation. Instead, ITIL is a framework that organisations can adopt and adapt to improve the way they deliver their IT-enabled services.

ITIL is a widely recognised source of best practice. It supports organisations as they deliver services that meet their customers' needs, at a price the customer is willing to pay.

In today's economic climate, organisations cannot afford to stand still. They need to review their performance and compare it to their competitors and make sure they are improving constantly. Using best practice available in the public domain can support internal improvement.

This thinking doesn't just apply to the private sector. Public-sector organisations, such as local and central government departments, also need to demonstrate that they offer quality services and value for money. They might not be measured on profit, but there will be service objectives that they have to meet.

A brief history of ITIL

ITIL was developed by the UK government in the 1980s to help improve the quality of IT-enabled services and IT projects. The Central Computer and Telecommunications Agency (CCTA, later renamed the Office of Government Commerce) was tasked with developing a framework for efficient and financially responsible use of IT resources in a government environment.

The earliest version of ITIL was called the Government Information Technology Infrastructure Management (GITIM). GITIM focused on service support and service delivery, but was very different from the current version of ITIL. Large companies and government agencies started to adopt ITIL, spreading service management practices across the globe.

In 2000, Microsoft® used ITIL to develop the Microsoft Operations Framework. In 2001, version 2 of ITIL was released, with training based on the Service Support and Service Delivery core publications. Hundreds of thousands of people around the world took ITIL training and achieved certification to help them manage IT-enabled services and environments, and progress in their ITSM careers.

In 2007, version 3 of ITIL was released, with an update to v3 in 2011. ITIL v3 was based around a service lifecycle that included:

- Service strategy
- Service design
- Service transition
- Service operation
- Continual service improvement

The newest ITIL version is ITIL 4. Released in 2019, ITIL 4 has evolved to a value system-focused approach that can be integrated with other management practices and ways of working, such as Agile and DevOps.

Why has ITIL been successful?

ITIL is not academic and theoretical. It is based on the experience of ITSM practitioners and offers a practical approach that has evolved over many years. The introduction of a value system-focus in ITIL 4 means that organisations must concentrate less on technology and more on how to co-create value with either internal or external customers. Common processes and practices and a strong service management framework all help to support the focus on value.

ITIL is successful because it is:

- **Vendor neutral:** ITIL is not linked to one supplier, or one technology, or one industry. This means it can be adopted across all types and sizes of organisation.
- **Non-prescriptive:** Organisations need to adopt and adapt the elements of ITIL that work for them and their customers.
- **Best practice:** ITIL draws on experience from service management practitioners across the globe.

Best practice simply means:

Proven activities or processes that have been successfully used in multiple organizations.[1]

ITIL is seen as being preferable to the proprietary knowledge that builds up inside organisations and the minds of staff members. Proprietary knowledge isn't usually documented in a consistent way. It exists because it has built up over time. This means it is not challenged or improved – and can create a real risk if an experienced staff member leaves and takes their proprietary knowledge with them.

In this chapter, we're going to take a look at some of the key concepts related to service management.

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[1]
https://en.wikiversity.org/wiki/IT_Service_Management/Service_Manag ement.

Remember to look out for the symbols that denote content related to the ITIL 4 Foundation syllabus. We'll be examining syllabus-related content in this chapter.

Denotes syllabus-related content.

Value

Products and services need to add value to consumers to be successful. Value is *"the perceived benefits, usefulness and importance of something"*.

Some products and services are directly purchased by consumers, such as bank accounts and mobile phones. If a consumer doesn't feel they are receiving value, the service provider organisation will know very quickly because the consumer will choose a different product or service, probably from a rival organisation.

Where the service relationship is defined less clearly, the service provider organisation might have to work harder to find out if their consumers feel that they are receiving value. For example, the television package that you pay for might include a news channel that you don't watch because you feel it's biased, so you consume news via the Internet instead. Because you still purchase the package, it's more difficult for your service provider to measure this and identify an improvement opportunity.

Value encompasses more than just 'value for money'. Some products and services are more expensive than others, but consumers choose them because they save time or convey status. Service provider organisations need to understand what it is that consumers value about their products and

services. Services also need to create value for the service provider, to allow them to continue to provide the service in the future.

Service management

Services deliver **value** to consumers. If a service isn't carefully managed, the value might be less or might not be delivered at all. An IT-enabled service needs to be measured, monitored and maintained to continue working effectively. An IT organisation can't just put a service into the live environment and forget about it.

ITIL provides good practices for managing IT-enabled services. It doesn't matter what job you have in IT; your role is part of the overall service that is being offered to the consumer.

Most modern organisations rely on IT to be effective. They expect IT to be available and responsive, and communicate with them regularly. Technology alone does not deliver a good service. Technology needs to be managed to meet the customer's needs. The need for a more holistic approach to IT-enabled services is reflected in the four dimensions of service management described in the ITIL 4 guidance.

The definition of service management is:

"A set of specialized organizational capabilities for enabling value for customers in the form of services".

Capabilities refer to the ability of an organisation to carry out a task or activity. The more mature the organisation, the better its capabilities should be. Capabilities will be based on an organisation's experience of customers, processes, services, tools, market conditions, etc. This experience

grows over time. Where an organisation has low or immature capabilities, it may choose to source capabilities from an external organisation.

An organisation can only develop these specialised organisational capabilities when it understands:

- The nature of value;
- The nature and scope of the stakeholders involved; and
- How value creation is enabled through services.

Service management as a professional practice

Service management should be viewed as a professional practice. It is supported by an extensive body of knowledge, experience and skills that has built up as the IT industry matured and developed a service focus.

There is a global community of professionals that supports service management, including organisations like the IT Service Management Forum. You can read more about the itSMF at *www.itsmfi.org*, including learning about your national chapter and any resources that are available to support you. The itSMF allows service management practitioners to connect with each other and share feedback, ideas and experiences.

The ITIL service management framework is supported by a scheme that provides quality assured education, training and certification. There are also other related training and certification schemes, covering areas such as project management, change management, business analysis, and service integration and management.

In addition, there is a wealth of service management information available – including academic research and

formal standards related to services and service management, such as ISO/IEC 20000, as well as blogs, forums and other more informal content.

Service management has developed as IT's focus has moved from a technology-centric approach to an end-to-end service and value-based approach. The ITIL 4 approach focuses on the consumer and the quality of service the consumer receives. IT is increasingly seen as a vital business enabler, and IT plans must be aligned to overall business models, strategies and plans.

Another factor that has contributed to the advancement and development of service management is the increasing complexity of service delivery. More and more organisations are using shared services or have outsourced some or all IT provision to external organisations. As the number of stakeholders involved with service delivery increases, more sophisticated service management is required to control them. As supply chains get more complex, service management practices need to adapt. The increased complexity of delivery has strengthened and improved service management, as well as imposing greater challenges.

Organisation

Organisations facilitate value creation. The definition of an organisation is:

> *"A person or a group of people that has its own functions with responsibilities, authorities, and relationships to achieve its objectives".*

An organisation could be:

- A single person;

- A team within an organisation;
- A legal entity (a company, or a charity); or
- A government department or public-sector body.

Note that an organisation can be a single person – for example, a sole trader. Within this definition, an organisation does not have to be a legal entity. It could be a team that interacts with other teams inside the same legal entity (for example, the IT department provides services to the marketing department).

It's important to define what the term 'organisation' refers to so that relationships can be identified and managed. For example, some businesses expect their IT department to behave like an external service provider organisation and to transact with the other business departments as customer organisations. Other businesses define themselves as a single organisation and see all of their internal departments working together as part of the whole organisation. There is no right or wrong way to structure these relationships, but they do need to be defined and managed.

Historically, some organisations did not listen to their customers. They saw their relationship with customers as being:

- One-directional
- Distant
- Without feedback

In fact, value is a two-way relationship. Value is co-created, a term that implies involvement from both the service provider organisation and the consumer.

The growth of online services allows organisations to capture feedback from their customers much more easily.

For example, in the past, a new piece of software may have been released every 12 months, based on an aggregated set of feedback and updated requirements. Now, service provider organisations can track what buttons customers are clicking, how long they spend on a page and even where their eyes are moving. They can release software more frequently – perhaps many times a day – to respond to the feedback they have been monitoring.

Co-creation

Co-creation focuses on customer experience and interactive relationships. It encourages active customer involvement. Organisations need to collaborate with their customers and consumers, as well as the suppliers that help them to offer valuable services. Each product and service is part of a web of service relationships. Most organisations act as a customer and a service provider as part of service delivery: buying and selling or consuming and supplying services and service elements.

For value co-creation to take place, both the consumer and the service provider organisation must get value from the product or service.

For example, consider using a travel agent to book a holiday. The outcome that you (the consumer) want is the holiday of a lifetime, and the travel agent (the service provider organisation) will help you achieve this. You need to share information about your budget, desired location, activities, planned dates, etc. The travel agent will then provide you with options tailored to your requirements. They will use other service provider organisations like hotels, airlines and transfer companies to build the service for you. Together, you will create the value you want from your trip. If you, as

the consumer, withhold important information from the travel agent, they are unlikely to be able to meet your needs. You receive value as the consumer, but the travel agent also receives value, perhaps through profit, repeat business and your word-of-mouth recommendations.

CHAPTER 2: SERVICE MANAGEMENT ROLES

In this chapter, we look at some of the service management roles and relationships that need to be defined and managed by organisations. These include:

- Service provider
- Stakeholder
- Service relationship
- Consumer
  - Customer
  - User
  - Sponsor
- Stakeholders and value types

Some role considerations

Roles are carried out by people and need to be clearly defined so that those people understand what they are supposed to do. Clear roles and responsibilities are essential for an effective service management organisation. If roles are not clear, tasks may be duplicated – or not done at all.

Remember: a single person can fulfil many roles – that's why it is so important to map roles carefully.

Many organisations that are new to ITIL and service management look at all the ITIL practices and panic. They think they need to hire hundreds of new staff to fulfil all the roles – confusing a job or person with a role.

In a smaller organisation, one person may have lots of roles. ITIL doesn't mean hiring lots of staff, but simply means

matching the service management roles with the existing IT staff members. For example, one staff member might carry out change enablement and configuration management roles. Service desk staff might have roles within incident management, access management and request fulfilment.

Service provider

The organisation delivering a service is acting as a service provider. A service provider can be part of the same organisation as a consumer (for example, an IT department offering services to a sales team), or an external organisation (for example, a software solutions provider selling to customers).

A service provider organisation must understand who its customers or consumers are, and which other stakeholders are part of its wider service relationships.

There is still a common perception that ITIL is only suitable for organisations of certain sizes or in certain sectors, but this is not the case. Every IT service provider organisation, for example, needs change enablement of some type. The type and size of the organisation will influence how change enablement is implemented, but the underlying reason for having change enablement (protecting services while delivering new or updated functionality) remains the same.

Stakeholder

A stakeholder is *"a person or organization that has an interest or involvement in an organization, product, service, practice, or other entity"*.

Stakeholders can be anyone – internal or external to the organisation.

If a service provider organisation doesn't understand what its consumers want, it has no chance of being able to deliver services to meet their needs. The organisation needs to build relationships with stakeholders to improve communication and really get to know them and their requirements. It is important to remember that the term 'stakeholder' covers more than just consumers. Examples of stakeholders could also include:

- Suppliers and partners
- Shareholders and investors
- Auditors
- Employees

There are many techniques available for stakeholder mapping; if this is an area where your organisation could improve, an Internet search will yield much useful information.

Service relationship

A service relationship is *"a co-operation between a service provider and a service consumer. Service relationships include service provision, service consumption, and service relationship management."*

Changing our perspective from 'making a sale' to managing a relationship can have a big impact on how we behave as a service provider organisation. When an organisation is new or immature, it will chase every single customer it can possibly find, even if that customer may be difficult to work with or even toxic. More mature organisations recognise that

there are some customers with which they do not want to work, because the overhead of managing the relationship outweighs the benefits of the initial sale.

Managing service relationships requires the service provider organisation to continue to allocate time and resources after a purchase has been made or a service has been provided. Automation can help with this process; for example, you might receive a reminder when your automobile insurance or health insurance is due for renewal, along with an enquiry about whether anything has changed.

Effective service relationship management brings benefits for both the service provider organisation and the consumer. The service provider can have confidence that its customers will be loyal, allowing it to invest in its services and take a long-term planning view. The consumer will feel that they are being listened to and should be confident that the service will continue to meet their needs.

Service consumer

The service consumer is the person or organisation receiving a service. Most organisations will act as service providers and service consumers as part of normal service delivery (for example, as a consumer they buy components to build a service they supply as a service provider). Consumer is a broad term that includes customer, user and sponsor.

Table 1: The Service Consumer

Customer	*"The role that defines the requirements for a service and takes responsibility for the outcomes of service consumption."*
User	*"The role that uses services."*
Sponsor	*"The role that authorizes budget for service consumption. Can also be used to describe an organization or individual that provides financial or other support for an initiative."*

One individual might act as the customer, the user and the sponsor for a service (for example, an individual who enters into a mobile phone contract fulfils all of these roles). In other situations, the roles are held by separate people (for example, a purchasing department procures mobile phones for staff in a sales team).

Defining roles clearly supports:

- Better communication;
- Better relationships; and
- Better stakeholder management.

The roles within the 'consumer' definition can have different and conflicting expectations about value, agreeing essential requirements, and how much they are prepared to pay. For example, consider a project to provide new laptops to a team of mobile sales representatives:

- The sponsor works in procurement and has little understanding of the sales role. Its goal is to purchase the cheapest laptops possible.

- The customer is the sales team leader, who wants the team to be happy but has been office-based for some years, so has lost sight of mobile workers' requirements.
- The users are the sales representatives who will receive the laptops, and they are likely to be unhappy as their needs have not been recognised.

In this scenario, it would be better for the users to be active in the customer role as well, so that the requirements are clearly defined up front.

Different stakeholders receive different types of value.

Table 2: Examples of Stakeholder and Value Types

Stakeholder	Value example
Service consumer	Receives benefits from the service, and optimises the costs and risks it incurs related to it.
Service provider	Receives funding or loyalty from consumers, supporting further business development and reputation enhancement.
Service provider employees	Job satisfaction, financial and non-financial rewards, personal development.
Society and community	Employment, taxes, corporate social responsibility initiatives.

Charity organisations	Financial and non-financial contributions.
Shareholders	Financial benefits, such as dividends.

Using RACI models for role mapping

The RACI (Responsible, Accountable, Consulted and Informed) model is used to track who is doing what. It provides clear mapping of roles across the different teams in the organisational structure.

RACI models are used to manage resources and roles for the delivery of a piece of work or task. Resources can be drawn from different functional areas within an organisation, which makes it challenging for line managers to track what their staff are doing. For example, a technical resource might be involved with incident investigation, problem resolution, a project and working with a new supplier.

Only one person can be **Accountable** for any task. The person who is accountable for the task has the overall authority for the task – but they may not carry out individual pieces of work themselves.

Any number of people can be **Responsible** as part of the RACI model. These are the workers who will get the actual tasks done, and they will report to the **Accountable** resource about their progress.

Sometimes resources are **Consulted** to get a task done. This might be a person within the organisation who has specific knowledge, or it could be a document store, or even an Internet search engine. These resources need to be tracked to ensure they are available when required.

Other resources need to be **Informed**. These are stakeholders who need to track and understand exactly how the task is proceeding, or they may need an output from the task. Business sponsors, for example, will typically be informed about progress as part of a project.

When RACI is applied to service management processes, the process owner will be accountable for all the process activities, even if they are not responsible for carrying them out.

RACI models are often shown as a matrix. To build a RACI matrix, these steps need to be followed:

- Identify activities.
- Identify roles.
- Assign RACI codes.
- Identify gaps or overlaps.
- Distribute the matrix for feedback.
- Monitor the roles.

Have a go: why not draw your own RACI matrix? You can also find many examples on the Internet. Table 3, below, shows an example of a RACI matrix for a coffee shop making a customer's coffee order. Notice how someone is accountable for every task.

Table 3: A Simple RACI matrix

Fulfilling a coffee order	Customer	Store owner	Staff member	Supplier
Providing staff		A	R/C	
Providing premises		A	R	

Providing ingredients		A	C	R
Providing order details	A/C		R/I	
Making and delivering coffee	C/I		A/R	
Confirmation of order fulfilment	I		A/R	
Drinking and approving coffee	A/R	I	I	

CHAPTER 3: ALL ABOUT SERVICES

This chapter defines:

- Products and services
- Utility
- Warranty
- Output
- Outcome
- Risk

📋 Products and services

The services an organisation provides are based on one or more products. Products are created from configurations of the resources to which an organisation has access. Resources include:

- People
- Information
- Technology
- Value streams
- Processes
- Suppliers
- Partners

"A product is a configuration of an organization's resources designed to offer value for a consumer."

"A service is a means of enabling value co-creation, by facilitating outcomes that customers want to achieve,

without the customer having to manage specific costs and risks."

Service provider organisations need to consider the following areas to assess whether or not they are delivering value:

- Cost
- Risk
- Outputs
- Outcomes
- Utility
- Warranty

Service provider organisations need to balance the areas listed above to deliver attractive services. For example, a free online banking service might be attractive to consumers, but if it is insecure and risky, they will quickly stop using it. Free one-hour delivery for items ordered via a website could also be attractive but might be too costly for the organisation to continue offering. Products and services need to be considered holistically; too much focus on one element of a product or a service could mean the 'big picture' is missed and the customer doesn't get the outcome they wanted.

Outputs and outcomes

A service provider organisation produces outputs, which help its consumers achieve their desired outcomes. This is where co-creation is important; without input or activity from the consumer, no value is created.

"An output is a tangible or intangible deliverable of an activity."

"An outcome is a result for a stakeholder enabled by one or more outputs."

Value is created when a service has more positive than negative effects. For example, it might cost a consumer money to pay for an externally provided email service, but it reduces the amount of money the consumer spends on internal resources and transfers the risks associated with hardware failure to another organisation. Figure 1 shows the balance between the costs and risks removed or introduced by a service.
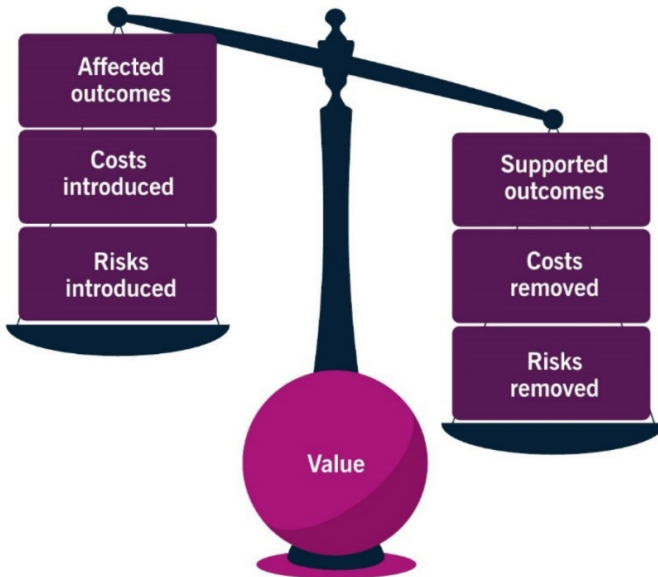

Figure 1: Achieving value: outcomes, costs and risks[2]

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[2] *ITIL® Foundation, ITIL 4 edition*, figure 2.2.

- Utility describes what the service does (is it fit for purpose?)
- Warranty describes how the service performs (is it fit for use?)

"Utility is the functionality offered by a product or service to meet a particular need."

This describes what the service does and whether it is fit for purpose. A service can provide utility by removing constraints from the consumer, or supporting their performance, or both.

"Warranty is the assurance that a product or service will meet agreed requirements."

Warranty describes how a service performs, and whether it is fit for use. Warranty covers areas like availability, capacity, security and continuity; the service must meet the levels required by the consumer.

For example, consider a social media platform. Utility requirements could include:

- Allowing users to 'follow' accounts they are interested in;
- Allowing users to decide if they want to see the most recent or most popular content; and
- Allowing users to 'block' accounts with which they do not want to interact.

Warranty requirements could include:

- The platform is available when users want to access it (for example, it doesn't fail because of high traffic);
- The platform keeps users' details secure; and