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ITIL 4 Edition

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Welcome to ITIL 4

At this new stage in the development of the IT industry, AXELOS is delighted to present ITIL 4, the latest step in the evolution of IT best practice. By building on our experience and bringing fresh and forward-looking thinking to the marketplace, ITIL 4 equips your business to deal with the challenges currently faced by the industry.

The adoption of ITIL as the most widely used guidance in the world on IT service management (ITSM) will continue with ITIL 4. It ensures continuity with existing ways of working (where service management is already successful) by integrating modern and emerging practices with established and proven know-how. ITIL 4 also provides guidance on these new methods to help individuals and organizations to see their benefits and move towards using them with confidence, focus, and minimal disruption.

ITIL 4’s holistic approach raises the profile of service management in organizations and industries, setting it within a more strategic context. Its focus tends to be on end-to-end product and service management, from demand to value.

ITIL 4 is the result of a great amount of global research and development work across the IT and service management industries; this work has involved active practitioners, trainers, consultants, vendors, technicians, and business customers. The architect team has collaborated with the wider stakeholders and users of ITIL to ensure that the content meets the modern requirements of continuity, innovation, flexibility, and value.

ITIL training provides individuals with a structured approach for developing their competencies in the current and future workplace. The accompanying guidance also helps organizations to take advantage of the new and upcoming technologies, succeed in making their digital transformations, and create value as needed for themselves and their customers.

*ITIL Foundation* is the beginning of your ITIL 4 journey. It will open your mind to the wider, more advanced guidance provided in the other ITIL publications and training that will support your growth and development.

Welcome to the new generation of IT best practice!



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Mark Basham

*CEO*

*AXELOS Global Best Practice*

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About this publication

*ITIL Foundation* is the first publication of ITIL 4, the latest evolution of the most widely adopted guidance for ITSM. Its audience ranges from IT and business students taking their first steps in service management to seasoned professionals familiar with earlier versions of ITIL and other sources of industry best practice.

*ITIL 4 Foundation* will:

•

provide readers with an understanding of the ITIL 4 service management framework and how it has evolved to adopt modern technologies and ways of working

•

explain the concepts of the service management framework to support candidates studying for the ITIL 4 Foundation exam

•

act as a reference guide that practitioners can use in their work, further studies, and professional development.

We hope you will find it useful.

About the ITIL story

The guidance provided in this publication can be adopted and adapted for all types of organization and service. To show how the concepts of ITIL can be practically applied to an organization’s activities, *ITIL Foundation* follows the exploits of a fictional company on its ITIL journey.

This company, Axle Car Hire, is undergoing a transformation to modernize its services and improve its customer satisfaction and retention levels, and is using ITIL to do this. In each chapter of the text, the employees of Axle will describe how the company is improving its services, and explain how they are using ITIL best practice to do this.

ITIL storyline sections appear throughout the text, separated by a distinct border. Axle Car Hire

Axle Car Hire is a global company, with its headquarters based in Seattle. Axle was formed 10 years ago, and currently employs approximately 400 staff across Europe, the US, and Asia-Pacific.

Initially, the company experienced strong growth and consistently high customer satisfaction ratings. For the first six years, repeat business accounted for around 30

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per cent of all bookings. Shareholders could expect handsome quarterly dividends. However, over the past four years, the company has experienced a downturn. Customer satisfaction ratings have consistently declined and repeat bookings are rare. Competitors are offering new and innovative options to traditional vehicle hire. Car-pooling, ride-share, and driverless cars are big draws. Customers have also come to expect online and app interfaces as standard for the company’s services.

In this evolving market, Axle Car Hire faces an uncertain future. The board is keen to improve customer satisfaction levels. They want to attract and retain customers, and improve the company’s bottom line. They’ve appointed a new CIO, Henri. Henri was chosen for his experience in digitalized services and his track record in successful, large-scale IT transformations. He understands the impact of digital service offerings, not only for customer satisfaction levels, but also for employee retention rates.

Henri’s strong background in ITIL and ITSM means that he values ITIL certification, and his hiring policy reflects this. Having worked with Design Thinking, DevOps, and Agile methodologies, he believes sustainable business requires a blended approach to ITSM.

Henri is keen to see how his team can redefine the car-hire experience and ensure that Axle Car Hire is the first choice for new and existing customers.

Meet the Axle employees

Here are four key employees of Axle Car Hire:

Henri Is the new CIO of Axle Car Hire. He is a successful business executive who’s prepared to shake things up. He believes in an integrated approach to ITSM. 

Su Is the Axle Car Hire product manager for travel experience, and has worked for Axle for the past five years. Su is smart, meticulous, and passionate about the environment. 

Radhika Is the Axle Car Hire IT business analyst, and it is her job to understand the user requirements of Axle Car Hire staff and customers. She is inquisitive and energetic, and strives to maintain a positive relationship with all her customers, both internal and external. Radhika works mostly on discovery and planning activities, rather than in IT operations. She asks a lot of questions and is great at spotting patterns and trends. 

Marco Is the Axle Car Hire IT delivery manager. He is process-driven and continually references the ITIL framework to help him manage positive service relationships. However, Marco has had little exposure to a blended or collaborative approach to service management. 

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CHAPTER 1

INTRODUCTION 12

1 Introduction

1.1 IT service management in the modern world

According to the World Trade Organization,1services comprise the largest and most dynamic component of both developed and developing economies. Services are the main way that organizations create value for themselves and their customers. Almost all services today are IT-enabled, which means there is tremendous benefit for organizations in creating, expanding, and improving their IT service management capability.

Technology is advancing faster today than ever before. Developments such as cloud computing, infrastructure as a service (IaaS), machine learning, and blockchain have opened fresh opportunities for value creation, and led to IT becoming an important

business driver and source of competitive advantage. In turn, this positions IT service management as a key strategic capability.

To ensure that they remain relevant and successful, many organizations are embarking on major transformational programmes to exploit these opportunities. While these transformations are often referred to as ‘digital’, they are about more than technology. They are an evolution in the way organizations work, so that they can flourish in the face of significant and ongoing change. Organizations must balance the need for stability and predictability with the rising need for operational agility and increased velocity. Information and technology are becoming more thoroughly integrated with other organizational capabilities, silos are breaking down, and cross-functional teams are being utilized more widely. Service management is changing to address and support this organizational shift and ensure opportunities from new technologies, and new ways of working, are maximized.

Service management is evolving, and so is ITIL, the most widely adopted guidance on IT service management (ITSM) in the world.

1.2 About ITIL 4

ITIL has led the ITSM industry with guidance, training, and certification programmes for more than 30 years. ITIL 4 brings ITIL up to date by re-shaping much of the established ITSM practices in the wider context of customer experience, value streams, and digital transformation, as well as embracing new ways of working, such as Lean, Agile, and DevOps.

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ITIL 4 provides the guidance organizations need to address new service management challenges and utilize the potential of modern technology. It is designed to ensure a flexible, coordinated and integrated system for the effective governance and management of IT-enabled services.

1.3 The structure and benefits of the ITIL 4 framework

The key components of the ITIL 4 framework are the ITIL service value system (SVS) and the four dimensions model.

1.3.1 The ITIL SVS

The ITIL SVS represents how the various components and activities of the organization work together to facilitate value creation through IT-enabled services. These can be combined in a flexible way, which requires integration and coordination to keep the organization consistent. The ITIL SVS facilitates this integration and coordination and provides a strong, unified, value-focused direction for the organization. The structure of the ITIL SVS is shown in Figure 1.1, and is repeated in Chapter 4, where it is described in more detail.

The core components of the ITIL SVS are:

• • • • •

the ITIL service value chain the ITIL practices

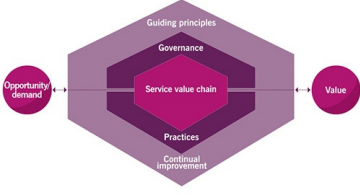
the ITIL guiding principles governance

continual improvement.

The ITIL service value chain provides an operating model for the creation, delivery, and continual improvement of services. It is a flexible model that defines six key activities that can be combined in many ways, forming multiple value streams. The service value chain is flexible enough to be adapted to multiple approaches, including DevOps and centralized IT, to address the need for multimodal service management. The adaptability of the value chain enables organizations to react to changing demands from their stakeholders in the most effective and efficient ways.

The flexibility of the service value chain is further enhanced by the ITIL practices. Each ITIL practice supports multiple service value chain activities, providing a comprehensive and versatile toolset for ITSM practitioners.

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Figure 1.1 The service value system

The ITIL guiding principles can be used to guide an organization’s decisions and actions and ensure a shared understanding and common approach to service management across the organization. The ITIL guiding principles create the foundation for an organization’s culture and behaviour from strategic decision making to day-to-day operations.

The ITIL SVS also includes governance activities that enable organizations to continually align their operations with the strategic direction set by the governing body.

Every component of the ITIL SVS is supported by continual improvement. ITIL provides organizations with a simple and practical improvement model to maintain their resilience and agility in a constantly changing environment.

1.3.2 The four dimensions model

To ensure a holistic approach to service management, ITIL 4 outlines four dimensions of service management, from which each component of the SVS should be considered. The four dimensions are:

•

organizations and people •

information and technology •

partners and suppliers

•

value streams and processes.

By giving each of the four dimensions an appropriate amount of focus, an organization ensures its SVS remains balanced and effective. The four dimensions are described in Chapter 3.

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| The ITIL story: The CIO’s vision for Axle  Henri: *These days, the pace of industry change is rapid, with the term ‘Fourth Industrial Revolution’ now widely used. Companies such as Axle are competing with disruptors that include driverless cars and car share.*  *Service expectations have changed since Axle was created 10 years ago. Customers want immediate access to services via apps and online services. Axle’s booking app is out of date, and our technology isn’t keeping pace with changes in our service offerings.*  *My vision for Axle is that we become the most recognized car-hire brand in the world. We’ll continue to offer outstanding customer service while maintaining competitive car-hire rates. After all, Axle is now about more than just hiring a vehicle. We must focus on our customers’ whole travel experience.* |
| --- |

Footnote:

1 https://www.wto.org/english/tratop\_e/serv\_e/serv\_e.htm

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CHAPTER 2

KEY CONCEPTS OF SERVICE MANAGEMENT 17

2 Key concepts of service management

A shared understanding of the key concepts and terminology of ITIL by organizations and individuals is critical to the effective use of this guidance to address real-world service management challenges. To that end, this chapter explains some of the most important concepts of service management, including:

•

the nature of value and value co-creation

•

organizations, service providers, service consumers, and other stakeholders •

products and services

•

service relationships

•

value: outcomes, costs, and risks.

These concepts apply to all organizations and services, regardless of their nature and underpinning technology. But the first thing that must be outlined is the most fundamental question of all: What is ‘service management’?



Definition: Service management

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

Developing the specialized organizational capabilities mentioned in the definition requires an understanding of:

•

the nature of value

•

the nature and scope of the stakeholders involved •

how value creation is enabled through services.

| The ITIL story: Axle’s services  Su: *At Axle, our service is travel experience. We provide this service to our customers to create value both for them and for Axle. Service management helps us to realize this value.* |
| --- |

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| The ITIL story: Axle’s customers  Here are three of Axle Car Hire’s frequent customers, whom you will meet as the story unfolds:  Ichika Is a university student on holiday with no fixed plans. She hopes to visit music festivals as part of her travel experience. Apart from that, her travel is flexible. She is tech-savvy and quickly adapts to new applications and  solutions. She is interested in trying new and exciting digital services.  Faruq Is recently retired and typically holidays alone. He is thoughtful and enjoys learning about and adopting new technology. Faruq often makes his travel plans on the go, as his needs can change, based on personal or health considerations.  Amelia Is the facilities manager at an organic food distribution company called Food for Fuel. Their head office is in central London, but many Food for Fuel consumers are in regional areas. This means access by public transport is typically infrequent, unreliable, and expensive. Consequently, Food for Fuel provides its sales staff with vehicles to enable them to conveniently and reliably visit existing and potential customers. |
| --- |

2.1 Value and value co-creation



Key message

The purpose of an organization is to create value for stakeholders.

The term ‘value’ is used regularly in service management, and it is a key focus of ITIL 4; it must therefore be clearly defined.



Definition: Value

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The perceived benefits, usefulness, and importance of something.

Inherent in this definition is the understanding that value is subject to the perception of the stakeholders, whether they be the customers or consumers of a service, or part of the service provider organization(s). Value can be subjective.

2.1.1 Value co-creation

There was a time when organizations self-identifying as ‘service providers’ saw their role as delivering value to their customers in much the same way that a package is delivered to a building by a delivery company. This view treated the relationship between the service provider and the service consumer as mono-directional and distant. The provider delivers the service and the consumer receives value; the consumer plays no role in the creation of value for themselves. This fails to take into consideration the highly complex and interdependent service relationships that exist in reality.

Increasingly, organizations recognize that value is co-created through an active collaboration between providers and consumers, as well as other organizations that are part of the relevant service relationships. Providers should no longer attempt to work in isolation to define what will be of value to their customers and users, but actively seek to establish mutually beneficial, interactive relationships with their consumers, empowering them to be creative collaborators in the service value chain. Stakeholders across the service value chain contribute to the definition of requirements, the design of service solutions and even to the service creation and/or provisioning itself (see section 4.5).

The ITIL story: Value

Marco: *We’re planning to release a generous new offering, giving an extra day of car hire with every booking.* 

Henri: *However, we must remember that value means different things for different people. Axle has a broad range of customers, and each of them has their own requirements for car hire. We need to make sure that any changes to our services are actually providing some type of value to our customers.* 

Ichika: *To me, ‘value’ means freedom of movement. I want my travel to be easy, hassle-free, and flexible. I opt in to mailing lists and subscriptions when it suits me. I take frequent short trips and rarely visit the same location twice. An extra day of car hire won’t always suit my plans.* 

Faruq: *I don’t travel often, so I don’t have my own car. The value of a car-hire* 20

*service for me is the on-demand availability of a car that suits my needs. I spend less money on car hire each year than it would cost me to maintain and run my own car.* 

*Value means it meets my budget. Being retired means I’m flexible, with very few commitments or deadlines. When I’m on holiday, I only plan a few days ahead. An extra day of car hire offers real value to me.*

Amelia: *The value of car hire for my organization, Food for Fuel, is two-fold. First, we need the ability to reach our customers. Second, we’re keen to lower our costs and risks by hiring cars instead of running our own fleet.* 

*As a regular customer who books car hire on behalf of my sales reps and staff, I value a consistent and reliable standard of service. Travel and car hire at Food for Fuel is pre-planned and typically only requires daily hire. There’s not much value in an extra day of car hire for my organization.*

Henri: *We also have to think about how value is created for Axle. The most obvious value we receive when we hire out our cars is revenue. For our service consumers, value includes easy access to a vehicle when they need it, without the overall expense of car ownership. In both cases, we need a combination of the two for the value to be realized. In that way, we co-create value through our service relationships.* 

Value will be explored in greater depth later in this chapter. Before that, however, it is important to outline the various stakeholders who are involved in value co creation and the language used in ITIL to describe them.

2.2 Organizations, service providers, service consumers, and other stakeholders

In service management there are many different kinds of stakeholder, each of which must be understood in the context of the creation of value in the form of services. First, the term ‘organization’ needs to be defined.



Definition: Organization

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

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Organizations vary in size and complexity, and in their relation to legal entities, from a single person or a team to a complex network of legal entities united by common objectives, relationships, and authorities.

As societies and economies evolve, the relationships between and within organizations become more complex. Each organization depends on others in its operation and development. Organizations may hold different roles, depending on the perspective under discussion. For example, an organization that coordinates adventure vacations can fill the role of a service provider to a travel agent when it sells a vacation, while simultaneously filling the role of service consumer when it purchases airport transfers to add to their vacation packages.

2.2.1 Service providers



Key message

When provisioning services, an organization takes on the role of the service provider. The provider can be external to the consumer’s organization, or they can both be part of the same organization.

In the most traditional views of ITSM, the provider organization is seen as the IT department of a company, and the other departments or other functional units in the company are regarded as the consumers. This is, however, only one very simple provider-consumer model. A provider could be selling services on the open market to other businesses, to individual consumers, or it could be part of a service alliance, collaborating to provide services to consumer organizations. The key is that the organization in the provider role has a clear understanding of who its consumers are in a given situation and who the other stakeholders are in the associated service relationships.

| The ITIL story: Service providers  Henri: *Axle Car Hire acts as a service provider. We provide cars for hire. At the same time, other organizations, such as mechanics and the companies that we buy our cars from, act as service providers for Axle.* |
| --- |

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2.2.2 Service consumers



Key message

When receiving services, an organization takes on the role of the service consumer.

Service consumer is a generic role that is used to simplify the definition and description of the structure of service relationships. In practice, there are more specific roles involved in service consumption, such as customers, users, and sponsors. These roles can be separate or combined.



Definitions

•

Customer A person who defines the requirements for a service and takes responsibility for the outcomes of service consumption.

•

User A person who uses services.

•

Sponsor A person who authorizes budget for service consumption.

For example, if a company wishes to purchase mobile phone services for its employees from a wireless carrier (the service provider), the various consumer roles may be distributed as follows:

•

The chief information officer (CIO) and key communications team members fill the role of customer when they analyse the mobile communications requirements of the company’s employees, negotiate the contract with the wireless carrier and monitor the carrier’s performance against the contracted requirements.

•

The chief financial officer (CFO) fills the role of the sponsor when they review the proposed service arrangement and approve the cost of the contract as negotiated.

•

The employees (including the CIO, CFO, and communications team members) fill the role of users when they order, receive, and use the mobile phone services as

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per the agreed contract.

In another example, an individual private consumer of the same wireless carrier (a person using the mobile network) simultaneously acts as a user, customer, and sponsor.

| The ITIL story: Axle’s service consumers  Su: *Our most obvious service consumers are the people and organizations who hire our cars, visit our offices, and use our website and booking app. For example, Ichika and Faruq are service consumers, and so is Food for Fuel. They are also our customers.*  Radhika: *Users are the people who make use of our services. Our car-hire users are the drivers and passengers in our vehicles.*  Marco: *Sponsors are the people who authorize budgets. For Axle Car Hire, our sponsors include Amelia from Food for Fuel, who approves the travel budget even if she doesn’t travel herself.*  Henri: *Individual service consumers such as Ichika and Faruq approve their own budgets, define their requirements for car hire, and drive the cars.*  *Therefore, Ichika and Faruq act as sponsors, customers, and users. Sometimes, though, they may share the trip with fellow drivers (friends or family*  *members). In this case, their contracts will include other users.* |
| --- |

It is important to identify these roles in service relationships to ensure effective communication and stakeholder management. Each of these roles may have different, and sometimes even conflicting, expectations from services, and different definitions of value.

2.2.3 Other stakeholders

A key focus of service management, and of ITIL, is the way that organizations co create value with their consumers through service relationships. Beyond the consumer and provider roles, there are usually many other stakeholders that are important to value creation. Examples include individual employees of the provider organization, partners and suppliers, investors and shareholders, government organizations such as regulators, and social groups. For the success, and even the continued existence of an organization, it is important that relationships with all key stakeholders are understood and managed. If stakeholders are unhappy with what the organization does or how it does it, the provider’s relationships with its consumers can be in jeopardy.

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Products and services create value for stakeholders in a number of ways. Some are quite direct such as the generation of revenue, while others are more indirect such as employee experience. Table 2.1 provides examples of value for several different types of stakeholder.

Detailed recommendations on the management of value for different stakeholders can be found in other ITIL 4 publications and supplementary materials.

Table 2.1 Examples of value for different types of stakeholder

Stakeholder Example of value for stakeholder

Service consumers Benefits achieved; costs and risks optimized

Service provider Funding from the consumer; business development; image improvement Service provider employees Financial and non-financial incentives; career and professional development; sense of purpose

Society and community Employment; taxes; organizations’ contribution to the development of the community

Charity organizations Financial and non-financial contributions from other organizations Shareholders Financial benefits, such as dividends; sense of assurance and stability

2.3 Products and services

The central component of service management is, of course, the service. The nature of services will now be considered, and an outline given of the relationship between a service and a product.

2.3.1 Configuring resources for value creation



Key message

The services that an organization provides are based on one or more of its products. Organizations own or have access to a variety of resources, including people, information and technology, value streams and processes, and partners and suppliers. Products are configurations of these resources, created by the organization, that will potentially be valuable for its customers.

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Definitions

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Services 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.

•

Product A configuration of an organization’s resources designed to offer value for a consumer.

Each product that an organization offers is created with a number of target consumer groups in mind, and the products will be tailored to appeal to, and meet the needs of, these groups. A product is not exclusive to one consumer group, and can be used to address the needs of several different groups. For example, a software service can be offered as a ‘lite’ version, for individual users, or as a more comprehensive corporate version.

Products are typically complex and are not fully visible to the consumer. The portion of a product that the consumer actually sees does not always represent all of the components that comprise the product and support its delivery. Organizations define which product components their consumers see, and tailor them to suit their target consumer groups.

2.3.2 Service offerings



Key message

Service providers present their services to consumers in the form of service offerings, which describe one or more services based on one or more products.



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Definition: Service offering

A formal description of one or more services, designed to address the needs of a target consumer group. A service offering may include goods, access to resources, and service actions.

Service offerings may include:

•

goods to be supplied to a consumer (for example, a mobile phone). Goods are supposed to be transferred from the provider to the consumer, with the consumer taking the responsibility for their future use

•

access to resources granted or licensed to a consumer under agreed terms and conditions (for example, to the mobile network, or to the network storage). The resources remain under the provider’s control and can be accessed by the consumer only during the agreed service consumption period

•

service actions performed to address a consumer’s needs (for example, user support). These actions are performed by the service provider according to the agreement with the consumer.

Examples of different types of service offering are shown in Table 2.2.

Services are offered to target consumer groups, and those groups may be either internal or external to the service provider organization. Different offerings can be created based on the same product, which allows it to be used in multiple ways to address the needs of different consumer groups. For example, a software service can be offered as a limited free version, or as a comprehensive paid-for version, based on one product of the service provider.

Table 2.2 Components of a service offering

Component Description Examples

Goods Supplied to the consumer Ownership is transferred to the consumer

Consumer takes responsibility for future

use

Access to resources Ownership is not transferred to the consumer

Access is granted or licensed to the

consumer under agreed terms and

conditions

The consumer can only access the

resources during the agreed consumption

period and according to other agreed

service terms

Service actions Performed by the service provider to address a consumer’s needs

Performed according to an agreement

with the consumer

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A mobile phone

A physical server

Access to the mobile network, or to network storage

User support

Replacement of a piece of equipment

| The ITIL story: Axle’s service offerings  Su: *Axle’s service offerings include car hire and the various options we provide to address different travel needs. These offerings include discounted*  *insurance, a loyalty programme, and complimentary travel products which include bottled water, tissues, badge holders for parking permits, and baby seats.*  *Our consumers are a diverse group and expect different travel experiences. For example, our corporate consumers don’t usually need baby seats or weekend rates. At the same time, some individual customers aren’t interested in free airport car collection if they’re only travelling locally.*  *All our service offerings include access to our website and booking app.* |
| --- |

2.4 Service relationships

To create value, an organization must do more than simply provide a service. It must also cooperate with the consumers in service relationships.



Key message

Service relationships are established between two or more organizations to co-create value. In a service relationship, organizations will take on the roles of service providers or service consumers. The two roles are not mutually exclusive, and organizations typically both provide and consume a number of services at any given time.

2.4.1 The service relationship model

When services are delivered by the provider, they create new resources for service consumers, or modify their existing ones. For example:

•

a training service improves the skills of the consumer’s employees •

a broadband service allows the consumer’s computers to communicate •

a car-hire service enables the consumer’s staff to visit clients •

a software development service creates a new application for the service 28

consumer.

Figure 2.1 The service relationship model

The service consumer can use its new or modified resources to create its own products to address the needs of another target consumer group, thus becoming a service provider. These interactions are shown in Figure 2.1.



Definitions

•

Service relationship A cooperation between a service provider and service consumer. Service relationships include service provision, service consumption, and service relationship management.

•

Service provision Activities performed by an organization to provide services. Service provision includes:

•

management of the provider’s resources, configured to deliver the service

•

ensuring access to these resources for users

•

fulfilment of the agreed service actions

•

service level management and continual improvement.

Service provision may also include the supplying of goods. •

Service consumption Activities performed by an organization to consume services. Service consumption includes:

•

management of the consumer’s resources needed to use the service •

service actions performed by users, including utilizing the provider’s resources, and requesting service actions to be fulfilled.

Service consumption may also include the receiving (acquiring) of goods. •

Service relationship management Joint activities performed by a service provider and a service consumer to ensure continual value co-creation based on agreed and available service offerings.

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| The ITIL story: Axle’s service relationships  Henri: *Axle has service relationships with many service providers and*  *consumers, both internal and external. Some services provided to Axle create new resources for the business, such as car manufacturers selling cars to us. Other services, such as the work done for us by our internal car cleaning team, and mechanics outside of Axle, change our existing resources by ensuring that our cars are clean and functional.*  *Axle can use these resources in other relationships to provide its own services, in the form of car hire, to consumers, i.e. our customers.*  *These are just a few examples of the service relationships that Axle has. The organization as a whole has many more.* |
| --- |

2.5 Value: outcomes, costs, and risks

This section will focus on how an organization in the role of service provider should evaluate what its services should do and how its services should be provided to meet the needs of consumers.



Key message

Achieving desired outcomes requires resources (and therefore costs) and is often associated with risks. Service providers help their consumers to achieve outcomes, and in doing so, take on some of the associated risks and costs (see the definition of service in section 2.3.1). On the other hand, service relationships can introduce new risks and costs, and in some cases, can negatively affect some of the intended outcomes, while supporting others.

Service relationships are perceived as valuable only when they have more positive effects than negative, as depicted in Figure 2.2. Outcomes, and how they influence and are influenced by the other elements, will now be discussed.

2.5.1 Outcomes

Acting as a service provider, an organization produces outputs that help its 30

consumers to achieve certain outcomes.



Definitions

•

Output A tangible or intangible deliverable of an activity. •

Outcome A result for a stakeholder enabled by one or more outputs. Figure 2.2 Achieving value: outcomes, costs, and risks

It is important to be clear about the difference between outputs and outcomes. For example, one output of a wedding photography service may be an album in which selected photos are artfully arranged. The outcome of the service, however, is the preservation of memories and the ability of the couple and their family and friends to easily recall those memories by looking at the album.

Depending on the relationship between the provider and the consumer, it can be difficult for the provider to fully understand the outcomes that the consumer wants to achieve. In some cases they will work together to define the desired outcomes. For example, business relationship managers (BRMs) in internal IT or HR departments may regularly talk with customers and discuss their needs and expectations. In other cases, the consumers articulate their expectations quite clearly, and the provider expects them to do so, such as when standardized services

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are offered to a wide consumer group. This is how mobile operators, broadband service providers, and transport companies usually operate. Finally, some service providers predict or even create demand for certain outcomes, forming a target group for their services. This may happen with innovative services addressing needs that consumers were not even aware of before. Examples of this include social networks or smart home solutions.

| The ITIL story: Outputs and outcomes  Henri: *At Axle, our key output is a car that is clean, roadworthy, and well maintained.*  Su: *For our service consumers, outcomes include travel that is convenient and affordable, and meets a range of needs. This includes self-drive holidays, client site visits, and travel to see family and friends.* |
| --- |

2.5.2 Costs



Definition: Cost

The amount of money spent on a specific activity or resource.

From the service consumer’s perspective, there are two types of cost involved in service relationships:

•

costs removed from the consumer by the service (a part of the value proposition). This may include costs of staff, technology, and other resources, which the consumer does not need to provide

•

costs imposed on the consumer by the service (the costs of service consumption). The total cost of consuming a service includes the price charged by the service provider (if applicable), plus other costs such as staff training, costs of network utilization, procurement, etc. Some consumers describe this as what they have to ‘invest’ to consume the service.

Both types of cost are considered when the consumer assesses the value which they expect the service to create. To ensure that the correct decisions are made about

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the service relationship, it is important that both types of cost are fully understood.

From the provider’s perspective, a full and correct understanding of the cost of service provision is essential. Providers need to ensure that services are delivered within budget constraints and meet the financial expectations of the organization (see section 5.1.11).

2.5.3 Risks



Definition: Risk

A possible event that could cause harm or loss, or make it more difficult to achieve objectives. Can also be defined as uncertainty of outcome, and can be used in the context of measuring the probability of positive outcomes as well as negative outcomes.

As with costs, there are two types of risk that are of concern to service consumers:

•

risks removed from a consumer by the service (part of the value proposition). These may include failure of the consumer’s server hardware or lack of staff availability. In some cases, a service may only reduce a consumer’s risks, but the consumer may determine that this reduction is sufficient to support the value proposition

•

risks imposed on a consumer by the service (risks of service consumption). An example of this would be a service provider ceasing to trade, or experiencing a security breach.

It is the duty of the provider to manage the detailed level of risk on behalf of the consumer (see section 5.1.10). This should be handled based on a balance of what matters most to the consumer and to the provider. The consumer contributes to the reduction of risk through:

•

actively participating in the definition of the requirements of the service and the clarification of its required outcomes

•

clearly communicating the critical success factors (CSFs) and constraints that apply to the service

•

ensuring the provider has access to the necessary resources of the consumer throughout the service relationship.

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2.5.4 Utility and warranty

To evaluate whether a service or service offering will facilitate the outcomes desired by the consumers and therefore create value for them, the overall utility and warranty of the service should be assessed.



Definitions

•

Utility The functionality offered by a product or service to meet a particular need. Utility can be summarized as ‘what the service does’ and can be used to determine whether a service is ‘fit for purpose’. To have utility, a service must either support the performance of the consumer or remove

constraints from the consumer. Many services do both.

•

Warranty Assurance that a product or service will meet agreed requirements. Warranty can be summarized as ‘how the service performs’ and can be used to determine whether a service is ‘fit for use’. Warranty often relates to service levels aligned with the needs of service consumers. This may be based on a formal agreement, or it may be a marketing message or brand image. Warranty typically addresses such areas as the availability of the service, its capacity, levels of security and continuity. A service may be said to provide acceptable assurance, or ‘warranty’, if all defined and agreed conditions are met.

The assessment of a service must take into consideration the impact of costs and risks on utility and warranty to generate a complete picture of the viability of a service.

Both utility and warranty are essential for a service to facilitate its desired outcomes and therefore help create value. For example, a recreational theme park may offer many exciting rides designed to deliver thrilling experiences for park visitors (utility), but if a significant number of the rides are frequently unavailable due to mechanical difficulties, the park is not fulfilling the warranty (it is not fit for use) and the consumers will not receive their expected value. Likewise, if the rides are always up and running during advertised hours, but they do not have features that provide the levels of excitement expected by visitors, the utility is not fulfilled, even though the warranty is sufficient. Again, consumers would not receive the expected value.

The ITIL story: A new supplier (Craig’s Cleaning)

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Su: *Axle’s recent customer satisfaction surveys consistently revealed low ratings for car cleanliness. This hampered our customers’ travel experience and was a contributing factor for low repeat bookings.* 

Henri: *Axle Car Hire made the decision to outsource the cleaning of all vehicles to a service provider. Previously, cleaning of our vehicle fleet was performed by an internal department. The cost and effort to maintain equipment, update rosters, and manage an inflexible workforce were unsustainable.* 

*It is important to understand that the risk of outsourcing any task or service is that an organization loses skills and capabilities. However, car cleaning is a service requiring specialized equipment as well as a flexible and motivated workforce. Continual investment in this service is something that is not beneficial for Axle.*

*At face value, outsourcing may appear to cost an organization more than using internal resources. Initially this may be true; however, over time and correctly managed, outsourcing services should be beneficial to both the organization and supplier. The benefit for Axle is that we can concentrate on our core business. After all, we’re not a cleaning company.*

Marco: *There are always pros and cons to outsourcing. Let’s have a look at the outcomes, costs, and risks that are introduced and removed.* 

Pros Cons

Users will be happy with our cars’ cleanliness Axle will no longer need to maintain its own cleaning facilities

The risk of cars being damaged during cleaning will be removed from Axle. This risk will now be with the supplier and their insurance company

Axle will lose an opportunity to offer car cleaning as a service

Axle will need to pay the cleaning company Axle will have a heavy dependency on the external cleaning company, and their staff will have wide access to our premises

Su: *By partnering with a specialist cleaning organization, Axle can focus its resources on providing a better service for our users. It will also help to optimize our costs, increasing value for the organization.* 

Craig is the owner of Craig’s Cleaning. Craig is methodical, reliable, and well respected by his staff. With his team, Craig is keen to contribute to the Axle vision of offering a high-standard travel experience.

Craig: *Axle Car Hire decided to outsource its car cleaning service, and Craig’s Cleaning was chosen to take this on. My organization is now responsible for the cleanliness of the entire Axle vehicle fleet.* 

Henri: *The service Craig’s Cleaning is providing is only one component of the Axle customer experience. Clean cars are one output of our overall service, and they contribute directly to the customers’ travel experience. This helps Axle’s clients to achieve their outcomes.* 

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Su: *Craig’s Cleaning is doing a great job! The cars have never been cleaner, and our customer satisfaction ratings for car cleanliness are steadily on the increase.* 

Axle and Craig’s Cleaning have worked on a cleaning schedule together, with focus on car cleaning turnaround times during peak hours. Axle is responsible for providing Craig and his team with timely notice of any changes that can impact this schedule. For example, Axle may need to expand its cleaning requirements in the light of new service offerings, such as the one Marco is developing.

Marco: *Axle has a goal to become a greener company and help the* 

*environment. We would like Craig’s Cleaning to support us in this goal and aim for the same sustainable growth as us.*

2.6 Summary

This chapter has covered the key concepts in service management, in particular the nature of value and value co-creation, organizations, products, and services. It has explored the often complex relationships between service providers and consumers, and the various stakeholders involved. The chapter has also covered the key components of consumer value: benefits, costs, and risks, and how important it is to understand the needs of the customer when designing and delivering services. These concepts will be built upon over the next few chapters, and guidance provided on applying them in practical and flexible ways.

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CHAPTER 3

THE FOUR DIMENSIONS OF SERVICE MANAGEMENT 37

3 The four dimensions of service management

The previous chapter outlined the concepts that are key to service management. The objective of an organization is to create value for its stakeholders, and this is achieved through the provision and consumption of services. The ways in which the various components and activities of an organization work together to create this value is described by the ITIL SVS. However, before this is explored further, the four dimensions of service management must be introduced. These dimensions are relevant to, and impact upon, all elements of the SVS.

To achieve their desired outcomes and work as effectively as possible, organizations should consider all aspects of their behaviour. In practice, however, organizations often become too focused on one area of their initiatives and neglect the others. For example, process improvements may be planned without proper consideration for the people, partners, and technology involved, or technology solutions can be implemented without due care for the processes or people they are supposed to support. There are multiple aspects to service management, and none of these are sufficient to produce the required outcomes when considered in isolation.



Key message

To support a holistic approach to service management, ITIL defines four dimensions that collectively are critical to the effective and efficient facilitation of value for customers and other stakeholders in the form of products and services. These are:

•

organizations and people •

information and technology •

partners and suppliers

•

value streams and processes.

These four dimensions represent perspectives which are relevant to the whole SVS, including the entirety of the service value chain and all ITIL practices. The four dimensions are constrained or influenced by several external factors that are often beyond the control of the SVS.

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The four dimensions, and the relationships between them, are represented in Figure 3.1.

Failing to address all four dimensions properly may result in services becoming undeliverable, or not meeting expectations of quality or efficiency. For example, failing to consider the value streams and processes dimension holistically can lead to wasteful work, duplication of efforts, or worse, work that conflicts with what is being done elsewhere in the organization. Equally, ignoring the partners and suppliers dimension could mean that outsourced services are misaligned with the needs of the organization. The four dimensions do not have sharp boundaries and may overlap. They will sometimes interact in unpredictable ways, depending on the level of complexity and uncertainty in which an organization operates.

Figure 3.1 The four dimensions of service management

It is important to note that the four dimensions of service management apply to all services being managed, as well as to the SVS in general. It is therefore essential that these perspectives should be considered for every service, and that each one should be addressed when managing and improving the SVS at all levels.

An overview of the four dimensions is provided below, and more detailed guidance on addressing the dimensions in practice can be found in other ITIL 4 publications.

| The ITIL story: The four dimensions of service management  Henri: *As an IT team, we are responsible for the information and technology at Axle Car Hire. However, effective IT management is much more than just managing technology. We must also consider the wider organization and people involved in Axle’s car-hire service, our relationships with partners and*  39 |
| --- |

*suppliers, and the value streams, processes, and technologies that we use.*

3.1 Organizations and people

The first dimension of service management is organizations and people.

The effectiveness of an organization cannot be assured by a formally established structure or system of authority alone. The organization also needs a culture that supports its objectives, and the right level of capacity and competency among its workforce. It is vital that the leaders of the organization champion and advocate

values which motivate people to work in desirable ways. Ultimately, however, it is the way in which an organization carries out its work that creates shared values and attitudes, which over time are considered the organization’s culture.



Key message

The complexity of organizations is growing, and it is important to ensure that the way an organization is structured and managed, as well as its roles, responsibilities, and systems of authority and communication, is well defined and supports its overall strategy and operating model.

As an example, it is useful to promote a culture of trust and transparency in an organization that encourages its members to raise and escalate issues and facilitates corrective actions before any issues have an impact on customers. Adopting the ITIL guiding principles can be a good starting point for establishing a healthy organizational culture (see section 4.3).

People (whether customers, employees of suppliers, employees of the service provider, or any other stakeholder in the service relationship) are a key element in this dimension. Attention should be paid not only to the skills and competencies of teams or individual members, but also to management and leadership styles, and to communication and collaboration skills. As practices evolve, people also need to update their skills and competencies. It is becoming increasingly important for people to understand the interfaces between their specializations and roles and those of others in the organization, to ensure proper levels of collaboration and coordination. For example, in some areas of IT (such as software development or user support), there is a growing acknowledgement that everyone should have a broad general knowledge of the other areas of the organization, combined with a

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deep specialization in certain fields.

Every person in the organization should have a clear understanding of their contribution towards creating value for the organization, its customers, and other stakeholders. Promoting a focus on value creation is an effective method of breaking down organizational silos.

The organizations and people dimension of a service covers roles and responsibilities, formal organizational structures, culture, and required staffing and competencies, all of which are related to the creation, delivery, and improvement of a service.

| The ITIL story: Axle’s organization and people  Henri: *The organizations and people dimension of Axle’s car-hire services includes my IT team and other teams within the organization, such as*  *procurement, HR, and facilities.* |
| --- |

3.2 Information and technology

The second dimension of service management is information and technology. As with the other three dimensions, information and technology applies both to service management and to the services being managed.

Detailed guidance on the role of information and technology in service management can be found in other ITIL publications.



Key message

When applied to the SVS, the information and technology dimension includes the information and knowledge necessary for the management of services, as well as the technologies required. It also incorporates the relationships between different components of the SVS, such as the inputs and outputs of activities and practices.

The technologies that support service management include, but are not limited to, workflow management systems, knowledge bases, inventory systems,

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communication systems, and analytical tools. Service management increasingly benefits from developments in technology. Artificial intelligence, machine learning, and other cognitive computing solutions are used at all levels, from strategic planning and portfolio optimization to system monitoring and user support. The use of mobile platforms, cloud solutions, remote collaboration tools, automated testing, and deployment solutions has become common practice among service providers.

In the context of a specific IT service, this dimension includes the information created, managed, and used in the course of service provision and consumption, and the technologies that support and enable that service. The specific information and technologies depend on the nature of the services being provided and usually cover all levels of IT architecture, including applications, databases, communication systems, and their integrations. In many areas, IT services use the latest technology developments, such as blockchain, artificial intelligence, and cognitive computing. These services provide a business differentiation potential to early adopters, especially in highly competitive industries. Other technology solutions, such as cloud computing or mobile apps, have become common practice across many industries globally.

In relation to the information component of this dimension, organizations should consider the following questions:

•

What information is managed by the services?

•

What supporting information and knowledge are needed to deliver and manage the services?

•

How will the information and knowledge assets be protected, managed, archived, and disposed of?

For many services, information management is the primary means of enabling customer value. For example, an HR service facilitates value creation for its customers by enabling the organization to access and maintain accurate information about its employees, their employment, and their benefits, without exposure of private information to unauthorized parties. A network management service facilitates value creation for its users by maintaining and providing accurate information about an organization’s active network connections and utilization, allowing it to adjust its network bandwidth capacity. Information is generally the key output of the majority of IT services which are consumed by business customers.

Another key consideration in this dimension is how information is exchanged between different services and service components. The information architecture of the various services needs to be well understood and continually optimized, taking into account such criteria as the availability, reliability, accessibility, timeliness, accuracy, and relevance of the information provided to users and exchanged between services.

The challenges of information management, such as those presented by security 42

and regulatory compliance requirements, are also a focus of this dimension. For example, an organization may be subject to the European Union’s General Data Protection Regulation (GDPR), which influences its information management policies and practices. Other industries or countries may have regulations that impose constraints on the collection and management of data of multinational corporations. For example, in the US the Health Insurance Portability and Accountability Act of 1996 provides data privacy and security provisions for safeguarding medical information.

Most services nowadays are based on IT, and are heavily dependent on it. When considering a technology for use in the planning, design, transition, or operation of a product or service, questions an organization may ask include:

•

Is this technology compatible with the current architecture of the organization and its customers? Do the different technology products used by the organization and its stakeholders work together? How are emerging technologies (such as machine learning, artificial intelligence, and Internet of Things) likely to disrupt the service or the organization?

•

Does this technology raise any regulatory or other compliance issues with the organization’s policies and information security controls, or those of its customers?

•

Is this a technology that will continue to be viable in the foreseeable future? Is the organization willing to accept the risk of using aging technology, or of embracing emerging or unproven technology?

•

Does this technology align with the strategy of the service provider, or its service consumers?

•

Does the organization have the right skills across its staff and suppliers to support and maintain the technology?

•

Does this technology have sufficient automation capabilities to ensure it can be efficiently developed, deployed, and operated?

•

Does this technology offer additional capabilities that might be leveraged for other products or services?

•

Does this technology introduce new risks or constraints to the organization (for example, locking it into a specific vendor)?

The culture of an organization may have a significant impact on the technologies it chooses to use. Some organizations may have more of an interest in being at the cutting edge of technological advances than others. Equally the culture of some organizations may be more traditional. One company may be keen to take advantage of artificial intelligence, while another may barely be ready for advanced data analysis tools.

The nature of the business will also affect the technology it makes use of. For example, a company that does significant business with government clients may

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have restrictions on the use of some technologies, or have significantly higher security concerns that must be addressed. Other industries, such as finance or life sciences, are also subject to restrictions around their use of technology. For example, they usually cannot use open source and public services when dealing with sensitive data.

| The ITIL story: Axle’s information and technology  Henri: *The information and technology dimension of Axle Car Hire represents the information created and managed by teams. It also includes the*  *technologies that support and enable our services. Applications and databases such as our booking app and financial system are part of the information and technology dimension as well.* |
| --- |



Definition: Cloud computing

A model for enabling on-demand network access to a shared pool of configurable computing resources that can be rapidly provided with minimal management effort or provider interaction.

ITSM in the modern world: cloud computing

ITSM has been focusing on value for users and customers for years, and this focus is usually technology-agnostic: what matters is not the technology, but the opportunities it creates for the customers. Although for the most part this is a perfectly acceptable approach, organizations cannot ignore new architectural solutions and the evolution of technology in general. Cloud computing has become an architectural shift in IT, introducing new opportunities and risks, and organizations have had to react to it in ways that are most beneficial for themselves, their customers, and other stakeholders.

Key characteristics of cloud computing include:

•

on-demand availability (often self-service)

•

network access (often internet access)

•

resource pooling (often among multiple organizations) •

rapid elasticity (often automatic)

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•

measured service (often from service consumer’s perspective).

In the context of ITSM, cloud computing changes service architecture and the distribution of responsibilities between service consumers, service providers, and their partners. It especially applies to in-house service providers, i.e. the organization’s internal IT departments. In a typical situation, adoption of the cloud computing model:

•

replaces some infrastructure, previously managed by the service provider, with a partner’s cloud service

•

decreases or removes the need for infrastructure management expertise and the resources of the service provider

•

shifts the focus of service monitoring and control from the in-house infrastructure to a partner’s services

•

changes the cost structure of the service provider, removing specific capital expenditures and introducing new operating expenditures and the need to manage them appropriately

•

introduces higher requirements for network availability and security •

introduces new security and compliance risks and requirements, applicable to both the service provider and its partner providing the cloud service •

provides users with opportunities to scale service consumption using self service via simple standard requests, or even without any requests.

All these affect multiple service providers’ practices, including, but not limited to:

•

service level management

•

measurement and reporting

•

information security management •

service continuity management •

supplier management

•

incident management

•

problem management

•

service request management •

service configuration management.

Another important effect of cloud computing, resulting from the computing resources’ elasticity, is that the cloud infrastructure may enable significantly faster deployment of new and changed services, thus supporting high-velocity service delivery. The ability to configure and deploy computing resources with the same speed as new applications is an important prerequisite for the success of DevOps and similar initiatives. This supports modern organizations

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in their need for faster time to market and digitalization of their services.

Considering the influence of cloud computing on organizations, it is important to make decisions about the use of this model at the strategic level of the organization, involving all levels of stakeholders, from governance to operations.

3.3 Partners and suppliers

The third dimension of service management is partners and suppliers. Every organization and every service depend to some extent on services provided by other organizations.



Key message

The partners and suppliers dimension encompasses an organization’s relationships with other organizations that are involved in the design, development, deployment, delivery, support, and/or continual improvement of services. It also incorporates contracts and other agreements between the organization and its partners or suppliers.

Relationships between organizations may involve various levels of integration and formality. This ranges from formal contracts with clear separation of responsibilities, to flexible partnerships where parties share common goals and risks, and collaborate to achieve desired outcomes. Some relationship examples are shown in Table 3.1. Note that the forms of cooperation described are not fixed but exist as a spectrum. An organization acting as a service provider will have a position on this spectrum, which will vary depending on its strategy and objectives for customer relationships. Likewise, when an organization acts as a service consumer, the role it takes on will depend on its strategy and objectives for sourcing and supplier management. When it comes to using partners and suppliers, an organization’s strategy should be based on its goals, culture, and business environment. For example, some organizations may believe that they will be best served by focusing their attention on developing certain core competencies, using partners and suppliers to provide other needs. Other organizations may choose to rely as much as possible on their own resources, using partners and suppliers as little as possible. There are, of course, many variations between these two opposite approaches.

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Table 3.1 Relationships between organizations



One method an organization may use to address the partners and suppliers dimension is service integration and management. This involves the use of a specially established integrator to ensure that service relationships are properly coordinated. Service integration and management may be kept within the organization, but can also be delegated to a trusted partner.

Factors that may influence an organization’s strategy when using suppliers include:

•

Strategic focus Some organizations may prefer to focus on their core competency and to outsource non-core supporting functions to third parties; others may prefer to stay as self-sufficient as possible, retaining full control over all important functions.

•

Corporate culture Some organizations have a historical preference for one approach over another. Long-standing cultural bias is difficult to change without compelling reasons.

•

Resource scarcity If a required resource or skillset is in short supply, it may be difficult for the service provider to acquire what is needed without engaging a supplier.

•

Cost concerns A decision may be influenced by whether the service provider believes that it is more economical to source a particular requirement from a supplier.

•

Subject matter expertise The service provider may believe that it is less risky to use a supplier that already has expertise in a required area, rather than trying to develop and maintain the subject matter expertise in house.

•

External constraints Government regulation or policy, industry codes of conduct, and social, political or legal constraints may impact an organization’s supplier strategy.

•

Demand patterns Customer activity or demand for services may be seasonal or demonstrate high degrees of variability. These patterns may impact the extent to which organizations use external service providers to cope with variable demand.

The last decade has seen an explosion in companies that offer technical resources (infrastructure) or capabilities (platforms, software) ‘as a service’. These companies

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bundle goods and services into a single product offering that can be consumed as a utility, and is typically accounted for as operating expenditure. This frees companies from investing in costly infrastructure and software assets that need to be accounted for as capital expenditure.

| The ITIL story: Axle’s partners and suppliers  Henri: *The partners and suppliers dimension for Axle includes suppliers such as Go Go Gas and Craig’s Cleaning, as well as internet service providers and developers.* |
| --- |

3.4 Value streams and processes

The fourth dimension of service management is value streams and processes. Like the other dimensions, this dimension is applicable to both the SVS in general, and to specific products and services. In both contexts it defines the activities, workflows, controls, and procedures needed to achieve agreed objectives.



Key message

Applied to the organization and its SVS, the value streams and processes dimension is concerned with how the various parts of the organization work in an integrated and coordinated way to enable value creation through products and services. The dimension focuses on what activities the organization undertakes and how they are organized, as well as how the organization ensures that it is enabling value creation for all stakeholders efficiently and effectively.

ITIL gives organizations acting as service providers an operating model that covers all the key activities required to manage products and services effectively. This is referred to as the ITIL service value chain (see section 4.5).

The service value chain operating model is generic and in practice it can follow different patterns. These patterns within the value chain operation are called value streams.

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3.4.1 Value streams for service management



Key message

A value stream is a series of steps that an organization uses to create and deliver products and services to a service consumer. A value stream is a combination of the organization’s value chain activities (see section 4.5 for more details on value chain activities and Appendix A for examples of value streams).



Definition: Value stream

A series of steps an organization undertakes to create and deliver products and services to consumers.

Identifying and understanding the various value streams an organization has is critical to improving its overall performance. Structuring the organization’s activities in the form of value streams allows it to have a clear picture of what it delivers and how, and to make continual improvements to its services.

Organizations should examine how they perform work and map all the value streams they can identify. This will enable them to analyse their current state and identify any barriers to workflow and non-value-adding activities, i.e. waste. Wasteful activities should be eliminated to increase productivity.

Opportunities to increase value-adding activities can be found across the service value chain. These may be new activities or modifications to existing ones, which can make the organization more productive. Value stream optimization may include process automation or adoption of emerging technologies and ways of working to gain efficiencies or enhance user experience.

Value streams should be defined by organizations for each of their products and services. Depending on the organization’s strategy, value streams can be redefined to react to changing demand and other circumstances, or remain stable for a

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significant amount of time. In any case, they should be continually improved to ensure that the organization achieves its objectives in an optimal way. Value stream mapping is described in more detail in other ITIL 4 publications.

3.4.2 Processes



Key message

A process is a set of activities that transform inputs to outputs. Processes describe what is done to accomplish an objective, and well-defined processes can improve productivity within and across organizations. They are usually detailed in procedures, which outline who is involved in the process, and work instructions, which explain how they are carried out.



Definition: Process

A set of interrelated or interacting activities that transform inputs into outputs. A process takes one or more defined inputs and turns them into defined outputs. Processes define the sequence of actions and their dependencies.

When applied to products and services, this dimension helps to answer the following questions, critical to service design, delivery, and improvement:

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What is the generic delivery model for the service, and how does the service work?

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What are the value streams involved in delivering the agreed outputs of the service?

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Who, or what, performs the required service actions?

Specific answers to these questions will vary depending on the nature and architecture of the service.

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| The ITIL story: Axle’s value streams and processes  Radhika: *The value streams and processes dimension represents the series of activities that are carried out within Axle. Value streams help Axle to identify wasteful activity and remove obstacles that hinder the organization’s*  *productivity.* |
| --- |

3.5 External factors

Service providers do not operate in isolation. They are affected by many external factors, and work in dynamic and complex environments that can exhibit high degrees of volatility and uncertainty and impose constraints on how the service provider can work. To analyse these external factors, frameworks such as the PESTLE (or PESTEL) model are used. PESTLE is an acronym for the political, economic, social, technological, legal, and environmental factors that constrain or influence how a service provider operates.

Collectively, these factors influence how organizations configure their resources and address the four dimensions of service management. For example:

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Government and societal attitudes towards environmentally friendly products and services may result in the organization investing more in tools and technologies that meet external expectations. An organization may choose to partner with other organizations (or source services from external providers) who can demonstrate environmentally friendly credentials. For example, some companies publish product environmental reports that describe their products’ performance against their policies around climate change, safer materials, and other resources.

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Economic and societal factors may influence organizations to create several versions of the same product to address various consumer groups that show different buying patterns. One example is music and video streaming services, many of which have a free tier (with advertising), a premium tier (without advertising), and in some cases a ‘family plan’ that allows multiple individual profiles under one paid-for account.

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Data protection laws or regulations (like GDPR) have changed how companies must collect, process, access, and store customer data, as well as how they work with external partners and suppliers.

3.6 Summary

The four dimensions represent a holistic approach to service management, and organizations should ensure that there is a balance of focus between each

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dimension. The impact of external factors on the four dimensions should also be considered. All four dimensions and the external factors that affect them should be addressed as they evolve, considering emerging trends and opportunities. It is essential that an organization’s SVS is considered from all four dimensions, as the failure to adequately address or account for one dimension, or an external factor, can lead to sub-optimal products and services.

| The ITIL story: Balancing the four dimensions  Marco: *To make Axle’s services as effective as possible, we use the best*  *combination of our people, our teams, our value streams, and our ways of working. We now engage a blended approach to service management,*  *incorporating DevOps, Design Thinking, and Agile into product development. We also use new technologies such as robotics, AI, and machine learning, striving to be efficient and Lean, and to automate wherever possible.* |
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CHAPTER 4

THE ITIL SERVICE VALUE SYSTEM 53

4 The ITIL service valuesystem

4.1 Service value system overview

For service management to function properly, it needs to work as a system. The ITIL SVS describes the inputs to this system (opportunity and demand), the elements of this system (organizational governance, service management, continual improvement, and the organization’s capabilities and resources), and the outputs (achievement of organizational objectives and value for the organization, its customers, and other stakeholders).



Key message

The ITIL SVS describes how all the components and activities of the organization work together as a system to enable value creation. Each organization’s SVS has interfaces with other organizations, forming an ecosystem that can in turn facilitate value for those organizations, their customers, and other stakeholders.

The key inputs to the SVS are opportunity and demand. Opportunities represent options or possibilities to add value for stakeholders or otherwise improve the organization. Demand is the need or desire for products and services among internal and external consumers. The outcome of the SVS is value, that is, the perceived benefits, usefulness, and importance of something. The ITIL SVS can enable the creation of many different types of value for a wide group of stakeholders.

The ITIL SVS includes the following components:

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Guiding principles Recommendations that can guide an organization in all circumstances, regardless of changes in its goals, strategies, type of work, or management structure.

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Governance The means by which an organization is directed and controlled. •

Service value chain A set of interconnected activities that an organization performs to deliver a valuable product or service to its consumers and to

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facilitate value realization.

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Practices Sets of organizational resources designed for performing work or accomplishing an objective.

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Continual improvement A recurring organizational activity performed at all levels to ensure that an organization’s performance continually meets stakeholders’ expectations. ITIL 4 supports continual improvement with the ITIL continual improvement model.

The purpose of the SVS is to ensure that the organization continually co-creates value with all stakeholders through the use and management of products and services. The structure of the SVS is shown in Figure 4.1. The left side of the figure shows opportunity and demand feeding into the SVS from both internal and external sources. The right side shows value created for the organization, its customers, and other stakeholders.

Figure 4.1 The ITIL service value system

The ITIL SVS describes how all the components and activities of the organization work together as a system to enable value creation. These components and activities, together with the organization’s resources, can be configured and reconfigured in multiple combinations in a flexible way as circumstances change, but this requires the integration and coordination of activities, practices, teams, authorities and responsibilities, and all parties to be truly effective.

One of the biggest challenges an organization can face when trying to work effectively and efficiently with a shared vision, or to become more Agile and resilient, is the presence of organizational silos. Organizational silos can form in many ways and for many different reasons. Silos can be resistant to change and can prevent easy access to the information and specialized expertise that exists across the organization, which can in turn reduce efficiency and increase both cost and risk. Silos also make it more difficult for communication or collaboration to occur across different groups.

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A siloed organization cannot act quickly to take advantage of opportunities or to optimize the use of resources across the organization. It is often unable to make effective decisions about changes, due to limited visibility and many hidden agendas. Practices can also become silos. Many organizations have implemented practices such as organizational change management or incident management without clear interfaces with other practices. All practices should have multiple interfaces with one another. The exchange of information between practices should be triggered at key points in the workflow, and is essential to the proper functioning of the organization.

The architecture of the ITIL SVS specifically enables flexibility and discourages siloed working. The service value chain activities and the practices in the SVS do not form a fixed, rigid structure. Rather, they can be combined in multiple value streams to address the needs of the organization in a variety of scenarios. This publication provides examples of service value streams, but none of them are definite or prescriptive. Organizations should be able to define and redefine their value streams in a flexible, yet safe and efficient manner. This requires continual improvement activity to be carried out at all levels of the organization; the ITIL continual improvement model helps to structure this activity. Finally, the continual improvement and overall operation of an organization are shaped by the ITIL guiding principles. The guiding principles create a foundation for a shared culture across the organization, thus supporting collaboration and cooperation within and between the teams, and removing the need for constraints and controls previously provided by silos.

With these components, the ITIL SVS supports many work approaches, such as Agile, DevOps and Lean (see Glossary), as well as traditional process and project management, with a flexible value-oriented operating model.

An organization can take any number of forms, including, but not limited to, sole trader, company, corporation, firm, enterprise, authority, partnership, charity or institution, or any part or combination thereof, whether incorporated or not, and be either public or private. This means that the scope of the SVS can be a whole organization or a smaller subset of that organization. To achieve the maximum value from the SVS and to properly address the issue of organizational silos, it is preferable to include the whole organization in the scope rather than a subset.

The rest of this chapter will explore each element of the SVS.

Organizational agility and organizational resilience

For an organization to be successful, it must achieve organizational agility to support internal changes, and organizational resilience to withstand and even thrive in changing external circumstances. The organization must also be considered as part of a larger ecosystem of organizations, all delivering,

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coordinating, and consuming products and services.

Organizational agility is the ability of an organization to move and adapt quickly, flexibly, and decisively to support internal changes. These might include changes to the scope of the organization, mergers and acquisitions, changing organizational practices, or technologies requiring different skills or organizational structure and changes to relationships with partners and suppliers.

Organizational resilience is the ability of an organization to anticipate, prepare for, respond to, and adapt to both incremental changes and sudden disruptions from an external perspective. External influences could be political, economic, social, technological, legal or environmental. Resilience cannot be achieved without a common understanding of the organization’s priorities and objectives, which sets the direction and promotes alignment even as external circumstances change.

The ITIL SVS provides the means to achieve organizational agility and resilience and to facilitate the adoption of a strong unified direction, focused on value and understood by everyone in the organization. It also enables continual improvement throughout the organization.

4.2 Opportunity, demand, and value



Key message

Opportunity and demand trigger activities within the ITIL SVS, and these activities lead to the creation of value. Opportunity and demand are always entering into the system, but the organization does not automatically accept all opportunities or satisfy all demand.

Opportunity represents options or possibilities to add value for stakeholders or otherwise improve the organization. There may not be demand for these opportunities yet, but they can still trigger work within the system. Organizations should prioritize new or changed services with opportunities for improvement to ensure their resources are correctly allocated.

Demand represents the need or desire for products and services from internal and 57

external customers. A definition of value, and what constitutes value for different stakeholders, can be found in Chapter 2.

4.3 The ITIL guiding principles



Key message

A guiding principle is a recommendation that guides an organization in all circumstances, regardless of changes in its goals, strategies, type of work, or management structure. A guiding principle is universal and enduring.

Table 4.1 Overview of the guiding principles

Guiding principle Description

Focus on value Everything that the organization does needs to map, directly or indirectly, to value for the stakeholders.

The focus on value principle encompasses many perspectives, including the

experience of customers and users.

Start where you are Do not start from scratch and build something new without considering what is already available to be leveraged. There is likely to be a great deal

in the current services, processes, programmes, projects, and people that

can be used to create the desired outcome.

The current state should be investigated and observed directly to make

sure it is fully understood.

Progress iteratively with feedback

Collaborate and promote visibility

Do not attempt to do everything at once. Even huge initiatives must be accomplished iteratively.

By organizing work into smaller, manageable sections that can be executed and completed in a timely manner, it is easier to maintain a sharper focus on each effort.

Using feedback before, throughout, and after each iteration will ensure that actions are focused and appropriate, even if circumstances change. Working together across boundaries produces results that have greater buy-in, more relevance to objectives, and increased likelihood of long-term

success.

Achieving objectives requires information, understanding, and trust. Work and consequences should be made visible, hidden agendas avoided, and information shared to the greatest degree possible.

Think and work holistically No service, or element used to provide a service, stands alone. The outcomes achieved by the service provider and service consumer will suffer

unless the organization works on the service as a whole, not just on its

parts.

Results are delivered to internal and external customers through the

effective and efficient management and dynamic integration of

information, technology, organization, people, practices, partners, and

agreements, which should all be coordinated to provide a defined value.

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Keep it simple and practical If a process, service, action or metric fails to provide value or produce a useful outcome, eliminate it. In a process or procedure, use the minimum

number of steps necessary to accomplish the objective(s). Always use

outcome-based thinking to produce practical solutions that deliver results.

Optimize and automate Resources of all types, particularly HR, should be used to their best effect. Eliminate anything that is truly wasteful and use technology to achieve

whatever it is capable of. Human intervention should only happen where it

really contributes value.

The guiding principles defined here embody the core messages of ITIL and of service management in general, supporting successful actions and good decisions of all types and at all levels. They can be used to guide organizations in their work as they adopt a service management approach and adapt ITIL guidance to their own specific needs and circumstances. The guiding principles encourage and support organizations in continual improvement at all levels.

These principles are also reflected in many other frameworks, methods, standards, philosophies, and/or bodies of knowledge, such as Lean, Agile, DevOps, and COBIT. This allows organizations to effectively integrate the use of multiple methods into an overall approach to service management.

The guiding principles are applicable to practically any initiative and to all relationships with stakeholder groups. For example, the first principle, focus on value, can (and should) be applied not only to service consumers, but to all relevant stakeholders and their respective definitions of value.

Table 4.1 provides a high-level introduction to the guiding principles. Additional details for each principle are presented later in this chapter.

ITIL, Agile, and DevOps

Agile methods, when applied to software development, focus on the delivery of incremental changes to software products while responding to the changing (or evolving) needs of users. They foster a culture of continual learning, flexibility, and willingness to try new approaches and adapt to rapidly changing needs. Agile ways of working include techniques such as timeboxing work, self organizing and cross-functional teams, and ongoing collaboration and communication with customers and users.

Agile software development teams often focus on the rapid delivery of product increments at the expense of a more holistic view that considers the operability, reliability, and maintainability of these products in a live environment. Similarly, continual learning and improvement initiatives can focus on bettering the articulation and prioritization of user needs, or streamlining the procedures to develop, test, and deploy working software. While these initiatives can provide valuable outcomes, they also run the risk of being out of sync with other initiatives at a service level.

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Just as Agile techniques provide service organizations with a flow of product and software increments, ITIL can also provide software development organizations with a wider perspective and language with which to engage other service teams. Adopting Agile without ITIL can lead to higher costs over time, such as the costs of adopting different technologies and architectures, and costs to release, operate, and maintain software increments. Similarly, implementing ITIL without Agile techniques can risk losing focus on value for customers and users, creating slow-moving and highly centralized bureaucracies.

When Agile and ITIL are adopted together, software development and service management can progress at a similar cadence, share a common terminology, and ensure that the organization continues to co-create value with all its stakeholders. Some of the ways in which ITIL and Agile can work together include:

•

streamlining practices such as change control

•

establishing procedures to incorporate and prioritize the management of unplanned interruptions (incidents), and to investigate the causes of failure •

separating interactions, if necessary, between ‘systems of record’ (e.g. the configuration management database) needed to manage services from ‘systems of engagement’ (e.g. collaboration tools) used by software development teams.

DevOps methods build on Agile software development and service management techniques by emphasizing close collaboration between the roles of software development and technical operations. Using high degrees of automation to free up the time of skilled professionals so that they can focus on value-adding activities, DevOps is able to shine a light on aspects such as operability, reliability, and maintainability of software products that can assist in the management of services. Cultural aspects that DevOps practitioners advocate can, and should, be extended across the value stream and all service value chain activities so that product and service teams are aligned with the same goals and use the same methods.

It is often said that DevOps combines software development techniques (Agile), good governance and a holistic approach to value co-creation (ITIL), and an obsession with learning about and improving the way in which value is generated (Lean). As such, the adoption of DevOps methods presents further opportunities to improve the way in which software products are developed and managed, such as:

•

creating fast feedback loops from delivery and support to software development and technology operations

•

streamlining value chain activities and value streams so that demand for 60

work can be quickly converted to value for multiple stakeholders •

differentiating deployment management from release management •

advocating a ‘systems view’ that emphasizes close collaboration between enterprise governance, service teams, software development, and technology operations.

4.3.1 Focus on value



Key message

All activities conducted by the organization should link back, directly or indirectly, to value for itself, its customers, and other stakeholders.

This section is mostly focused on the creation of value for service consumers. However, a service also contributes to value for the organization and other stakeholders. This value may come in various forms, such as revenue, customer loyalty, lower cost, or growth opportunities. The following recommendations can be adapted to address various stakeholder groups and the value that is created for them by the organization.

4.3.1.1 Who is the service consumer?

When focusing on value, the first step is to know who is being served. In each situation the service provider must, therefore, determine who the service consumer is and who the key stakeholders are (for example, customers, users, or sponsors; see section 2.2 for more details). In doing this, the service provider should consider who will receive value from what is being delivered or improved.

The ITIL story: Axle’s new technology

Axle is considering introducing several pieces of new technology into their cars. In the following sections the Axle team looks at what new technology could be introduced and uses the ITIL guiding principles to help decide on the best course of action.

Su: *One aspect of our service we are considering is the collection and return of* 61

*vehicles. This process remains very manual. Some of our regional depots continue to use paper-based forms to register customers. Customers don’t want to waste time completing forms for identification when this information has already been provided during the online booking process.* 

*To improve the customer identification process, Axle could use biometric technology to identify our customers.*

Marco: *Biometric technology uses scanned graphical data for personal identification. It’s fast and reliable, and widely used in other industries. For example, the airline industry is using it for security screening, check-in, and even for aircraft boarding. We could use fingerprint or facial recognition scans to quickly identify our customers, and automate the car collection and return process.* 

Radhika: *We need to be mindful of regulations such as GDPR and the possible risks to data security this technology could bring.* 

Marco: *Axle also wants to trial automated identification of damage to returned vehicles, including scratches, dents, and broken lights. Potentially the technology could even identify fuel levels. This would automate the calculation of any fuel charges incurred by our customers, which is also a manual process.* 

Su: *Our customers want simplicity and speed while maintaining comfort and safety on the road. Biometric technology and car scanning would be a source of opportunity to meet evolving customer demands.* 

Marco: *Our services already rely on technology, and the intelligence of smartphones and personal devices to meet customer needs and expectations. The adoption of biometric technology is a natural progression. Anyone who can access their phone with a thumbprint or facial recognition will be comfortable and confident using the same technology to collect or return a car.* 

Henri: *We can’t make the mistake of trying to implement every innovation at once, even if they all sound like the ideal solution for Axle Car Hire. We need a framework in place to make sure value is realized, and to govern our decisions.* 

*It’s also important that none of our existing customers are disadvantaged, even as we venture into new surroundings. For example, not all our customers are tech-savvy. This is especially true for our elderly customers, who represent a large percentage of our customer base for leisure travel. We also need to balance innovation with existing operational demands.*

4.3.1.2 The consumer’s perspectives of value

Next the service provider must understand what is truly of value to the service 62

consumer. The service provider needs to know:

•

why the consumer uses the services

•

what the services help them to do

•

how the services help them achieve their goals

•

the role of cost/financial consequences for the service consumer •

the risks involved for the service consumer.

Value can come in many forms, such as increased productivity, reduced negative impact, reduced costs, the ability to pursue new markets, or a better competitive position. Value for the service consumer:

•

is defined by their own needs

•

is achieved through the support of intended outcomes and optimization of the service consumer’s costs and risks

•

changes over time and in different circumstances.

4.3.1.3 The customer experience

An important element of value is the experience that service consumers have when they interact with the service and the service provider. This is frequently called customer experience (CX) or user experience (UX) depending on the adopted definitions, and it must be actively managed.

CX can be defined as the entirety of the interactions a customer has with an organization and its products. This experience can determine how the customer feels about the organization and its products and services.

CX is both objective and subjective. For example, when a customer orders a product and receives what they ordered at the promised price and in the promised delivery time, the success of this aspect of their experience is objectively measurable. On the other hand, if they don’t like the style or layout of the website they are ordering from, this is subjective. Another customer might really enjoy the design.

4.3.1.4 Applying the principle

To apply this principle successfully, consider this advice:

•

Know how service consumers use each service Understand their expected outcomes, how each service contributes to these, and how the service consumers perceive the service provider. Collect feedback on value on an •

ongoing basis, not just at the beginning of the service relationship. Encourage a focus on value among all staff Teach staff to be aware of who their customers

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are and to understand CX.

•

Focus on value during normal operational activity as well as during improvement initiatives The organization as a whole contributes to the value that the customer perceives, and so everybody within the organization must maximize the value they create. The creation of value should not be left only to the people working on exciting projects and new things.

•

Include focus on value in every step of any improvement initiative Everybody involved in an improvement initiative needs to understand what outcomes the initiative is trying to facilitate, how its value will be measured, and how they should be contributing to the co-creation of that value.

The ITIL story: Focus on value

Radhika: *When Axle expanded to the Asia-Pacific region, we undertook* 

*research focused on customers travelling outside their native countries. The results found that American and European customers travelling to these areas had concerns around unfamiliar road rules and safety.*

Marco: *Axle is introducing a certified, third-party driver assistance system called Axle Aware. The system checks external surroundings and internal conditions in the car. It includes cameras to monitor the area around the car, and an artificial intelligence program with local road rules. It can even let the driver know when fatigue is starting to set in.* 

*The system will alert the driver to approaching dangers and potential road rule breaches. For example, in Australia, local road rules dictate that drivers are required to give a minimum of 1 metre when passing cyclists at a speed of 60 km/h or less, or 1.5 metres when the speed is more than 60 km/h.*

Su: *Many visiting tourists will be mostly focused on driving on the correct side of the road and won’t know about this rule, but the Axle Aware system does!* 

Marco: *Studies have shown that systems such as this significantly decrease accident rates and serious injuries.* 

Su: *This means that the value to our consumers is a safer travel experience. It will be cheaper too, as they will have fewer penalties for breaking rules they are not familiar with!* 

Henri: *The value for Axle Car Hire is improved customer satisfaction, reduced repair costs and lower insurance premiums.* 

Marco: *This type of innovation will also provide additional value for some of* 64

*our partners and suppliers.*

Radhika: *For example, we’ve updated our contract with our fleet maintenance partner. Maintenance will now include Axle Aware. The value to our* 

*maintenance partner is the additional revenue.*

4.3.2 Start where you are



Key message

In the process of eliminating old, unsuccessful methods or services and creating something better, there can be great temptation to remove what has been done in the past and build something completely new. This is rarely necessary, or a wise decision. This approach can be extremely wasteful, not only in terms of time, but also in terms of the loss of existing services, processes, people, and tools that could have significant value in the improvement effort. Do not start over without first considering what is already available to be leveraged.

| The ITIL story: Axle’s booking appMarco:  Marco: *The Axle booking app was first developed two years ago. The app is no longer meeting business requirements. It can’t cater for the advances in technology we’re using now, such as the biometric system and the driver assistance system.*  *For example, we need our app to have the capability to scan and validate our customers’ fingerprints and facial images. The current coding simply can’t support that. We need a new app!* |
| --- |

4.3.2.1 Assess where you are

Services and methods already in place should be measured and/or observed directly to properly understand their current state and what can be re-used from them. Decisions on how to proceed should be based on information that is as accurate as

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possible. Within organizations there is frequently a discrepancy between reports and reality. This is due to the difficulty of accurately measuring certain data, or the unintentional bias or distortion of data that is produced through reports. Getting data from the source helps to avoid assumptions which, if proven to be unfounded, can be disastrous to timelines, budgets, and the quality of results.

Those observing an activity should not be afraid to ask what may seem to be stupid questions. It can sometimes be beneficial for a person with little or no prior knowledge of the service to be part of the observation, as they have no preconceptions of the service, and may spot things that those more closely involved with it would miss.

| The ITIL story: Assessing the current state  Henri: *Everyone likes the idea of a new app, and IT is keen to start gathering user requirements so that we can start development. However, before we develop an entirely new app, let’s assess the current state of the app we have to see if there’s any functionality we can re-use.*  *The current process for booking a car meets basic requirements, and doesn’t need to change. We just need additional functionality. For example, the process for recording, storing, and calculating points for our loyalty*  *programme won’t change.*  *We should also consider the limits of the technology that our customers use. If we want to introduce biometric data recognition, users will need to have modern devices. I am not sure they all do, so we should investigate constraints and opportunities here.*  Marco: *Our current booking app is working well. Incident data indicates that customers make very few calls to the service desk. This indicates that the current functionality is fit for use and meets customer requirements.*  Henri: *However, our focus groups indicate that customers avoid using the app because it’s slow and difficult to use. Previously, upgrades focused on*  *technology, not the requirements of our customers. We didn’t have the*  *flexibility to easily configure functionality to match new and changing service offerings. So the reliability and usability of the booking app can’t be assessed solely using the data from incidents logged.*  *We need to confirm these findings with other research.* |
| --- |

4.3.2.2 The role of measurement

The use of measurement is important to this principle. It should, however, support 66

but not replace what is observed, as over-reliance on data analytics and reporting can unintentionally introduce biases and risks in decision-making. Organizations should consider a variety of techniques to develop knowledge of the environments in which they work. Although it is true that some things can only be understood through measuring their effect (for example, natural phenomena such as the wind), direct observation should always be the preferred option. Too often existing data is used with no consideration of direct personal investigation.

It should be noted that the act of measuring can sometimes affect the results, making them inaccurate. For example, if a service desk knows it is being monitored on length of time spent on the phone, it might focus too much on minimizing customer engagement (thus leading to good reports), rather than actually helping users resolve issues to their satisfaction. People are very creative in finding ways to meet the metrics they are measured against. Therefore, metrics need to be meaningful and directly relate to the desired outcome.

‘When a measure becomes a target, it ceases to be a good measure *Goodhart’s Law*’

4.3.2.3 Applying the principle

Having a proper understanding of the current state of services and methods is important to selecting which elements to re-use, alter, or build upon. To apply this principle successfully, consider this advice:

•

Look at what exists as objectively as possible, using the customer or the desired outcome as the starting point. Are the elements of the current state fit for purpose and fit for use? There are likely to be many elements of the current services, practices, projects, and skills that can be used to create the desired future state, provided the people making this judgement are objective. •

When examples of successful practices or services are found in the current state, determine if and how these can be replicated or expanded upon to achieve the desired state. In many, if not most, cases, leveraging what already exists will reduce the amount of work needed to transition from the current state to the desired state. There should be a focus on learning and improvement, not just replication and expansion.

•

Apply your risk management skills. There are risks associated with re-using existing practices and processes, such as the continuation of old behaviours that are damaging to the service. There are also risks associated with putting something new in place, such as new procedures not being performed correctly. These should be considered as part of the decision-making process, and the risks of making or not making a change evaluated to decide on the best course of action.

•

Recognize that sometimes nothing from the current state can be re-used. 67

Regardless of how desirable it may be to re-use, repurpose and recycle, or even upcycle, there will be times when the only way to achieve the desired result is to start over entirely. It should be noted, however, that these situations are very rare.

4.3.3 Progress iteratively with feedback



Key message

Resist the temptation to do everything at once. Even huge initiatives must be accomplished iteratively. By organizing work into smaller, manageable sections that can be executed and completed in a timely manner, the focus on each effort will be sharper and easier to maintain.

Improvement iterations can be sequential or simultaneous, based on the requirements of the improvement and what resources are available. Each individual iteration should be both manageable and managed, ensuring that tangible results are returned in a timely manner and built upon to create further improvement.

A major improvement initiative or programme may be organized into several significant improvement initiatives, and each of these may, in turn, comprise smaller improvement efforts. The overall initiative or programme, as well as its component iterations, must be continually re-evaluated and potentially revised to reflect any changes in circumstances and ensure that the focus on value has not been lost. This re-evaluation should make use of a wide range of feedback channels and methods to ensure that the status of the initiative and its progress are properly understood.

4.3.3.1 The role of feedback

Whether working to improve a service, group of services, practice, process, technical environment, or other service management element, no improvement iteration occurs in a vacuum. While the iteration is being undertaken, circumstances can change and new priorities can arise, and the need for the iteration may be altered or even eliminated. Seeking and using feedback before, throughout, and after each iteration will ensure that actions are focused and appropriate, even in changing circumstances.

A feedback loop is a term commonly used to refer to a situation where part of the output of an activity is used for new input. In a well-functioning organization,

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feedback is actively collected and processed along the value chain. Well-constructed feedback mechanisms facilitate understanding of:

•

end user and customer perception of the value created

•

the efficiency and effectiveness of value chain activities

•

the effectiveness of service governance as well as management controls •

the interfaces between the organization and its partner and supplier network •

the demand for products and services.

Once received, feedback can be analysed to identify improvement opportunities, risks, and issues.

4.3.3.2 Iteration and feedback together

Working in a timeboxed, iterative manner with feedback loops embedded into the process allows for:

•

greater flexibility

•

faster responses to customer and business needs •

the ability to discover and respond to failure earlier •

an overall improvement in quality.

Having appropriate feedback loops between the participants of an activity gives them a better understanding of where their work comes from, where their outputs go, and how their actions and outputs affect the outcomes, which in turn enables them to make better decisions.

| The ITIL story: Progress iteratively  Marco: *It’s now been three months since Axle released the first iteration of its new app. We began by making it available solely to trusted VIP customers. We worked with their feedback to refine the booking process.*  Radhika: *We learned that the app needed to be flexible so we could make changes easily based on rapidly evolving customer requirements. For example, our business customers wanted the app to automatically record distance travelled. Working with our product team, we were easily able to add this functionality.*  Su: *The app is now easily configurable, allowing Axle to quickly add new functions and features based on customer feedback.* |
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4.3.3.3 Applying the principle

To apply this principle successfully, consider this advice:

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Comprehend the whole, but do something Sometimes the greatest enemy to progressing iteratively is the desire to understand and account for everything. This can lead to what is sometimes called ‘analysis paralysis’, in which so much time is spent analysing the situation that nothing ever gets done about it. •

Understanding the big picture is important, but so is making progress. The ecosystem is constantly changing, so feedback is essential Change is happening constantly, so it is very important to seek and use feedback at all times and at all levels.

•

Fast does not mean incomplete Just because an iteration is small enough to be done quickly does not mean that it should not include all the elements necessary for success. Any iteration should be produced in line with the concept of the minimum viable product. A minimum viable product is a version of the final product which allows the maximum amount of validated learning with the least effort.

4.3.4 Collaborate and promote visibility



Key message

When initiatives involve the right people in the correct roles, efforts benefit from better buy-in, more relevance (because better information is available for decision-making) and increased likelihood of long-term success.

Creative solutions, enthusiastic contributions, and important perspectives can be obtained from unexpected sources, so inclusion is generally a better policy than exclusion. Cooperation and collaboration are better than isolated work, which is frequently referred to as ‘silo activity’. Silos can occur through the behaviour of individuals and teams, but also through structural causes. This typically happens where functions or business units in an organization are impeded or unable to collaborate, because their processes, systems, documentation, and communications are designed to fulfil the needs of only a specific part of the organization. Applying the guiding principle of think and work holistically (see section 4.3.5) can help organizations to break down barriers between silos of work.

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Recognition of the need for genuine collaboration has been one of the driving factors in the evolution of what is now known as DevOps. Without effective collaboration, neither Agile, Lean, nor any other ITSM framework or method will work.

Working together in a way that leads to real accomplishment requires information, understanding, and trust. Work and its results should be made visible, hidden agendas should be avoided, and information should be shared to the greatest degree possible. The more people are aware of what is happening and why, the more they will be willing to help.

When improvement activity occurs in relative silence, or with only a small group being aware of the details, assumptions and rumours can prevail. Resistance to change will often arise as staff members speculate about what is changing and how it might impact them.

4.3.4.1 Whom to collaborate with

Identifying and managing all the stakeholder groups that an organization deals with is important, as the people and perspectives necessary for successful collaboration can be sourced within these stakeholder groups. As the name suggests, a stakeholder is anyone who has a stake in the activities of the organization, including the organization itself, its customers and/or users, and many others. The scope of stakeholders can be extensive.

The first and most obvious stakeholder group is the customers. The main goal of a service provider is to facilitate outcomes that its customers are interested in, so the customers have a large stake in the service provider’s ability to manage services effectively. Some organizations, however, do a poor job of interacting with customers. A service provider may feel that it is too difficult to get input or feedback from the customer, and that the resulting delays are a waste of time. Equally, customers may feel that, after they have defined their requirements, the service provider can be left to deliver the service with no further contact needed. When it comes to the improvement of a service provider’s practices, the customer may not see any need to be involved at all. In the end, however, the right level of collaboration with customers will lead to better outcomes for the organization, its customers, and other stakeholders.

Other examples of stakeholder collaboration include:

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developers working with other internal teams to ensure that what is being developed can be operated efficiently and effectively. Developers should collaborate with technical and non-technical operational teams to make sure that they are ready, willing, and able to transition the new or changed service into operation, perhaps even participating in testing. Developers can also work

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with operations teams to investigate defects (problems) and to develop workarounds or permanent fixes to resolve these defects

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suppliers collaborating with the organization to define its requirements and brainstorm solutions to customer problems

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relationship managers collaborating with service consumers to achieve a comprehensive understanding of service consumer needs and priorities •

customers collaborating with each other to create a shared understanding of their business issues

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internal and external suppliers collaborating with each other to review shared processes and identify opportunities for optimization and potential automation.

4.3.4.2 Communication for improvement

The contribution to improvement of each stakeholder group at each level should be understood; it is also important to define the most effective methods to engage with them. For example, the contribution to improvement from customers of a public cloud service may be through a survey or checklist of options for different functionalities. For an internal customer group, the contribution to improvement may come from feedback solicited via a workshop or a collaboration tool on the organization’s intranet.

Some contributors may need to be involved at a very detailed level, while others can simply be involved as reviewers or approvers. Depending on the service and the relationship between the service provider and the service consumer, the expectations about the level and type of collaboration can vary significantly.

4.3.4.3 Increasing urgency through visibility

When stakeholders (whether internal or external) have poor visibility of the workload and progression of work, there is a risk of creating the impression that the work is not a priority. If an initiative is communicated to a team, department, or another organization and then is never, or rarely, mentioned again, the perception will be that the change is not important. Equally, when staff members attempt to prioritize improvement work versus other tasks that have daily urgency, improvement work may seem to be a low-priority activity unless its importance has been made transparent and it is supported by the organization’s management.

Insufficient visibility of work leads to poor decision-making, which in turn impacts the organization’s ability to improve internal capabilities. It will then become difficult to drive improvements as it will not be clear which ones are likely to have the greatest positive impact on results. To avoid this, the organization needs to perform such critical analysis activities as:

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understanding the flow of work in progress •

identifying bottlenecks, as well as excess capacity •

uncovering waste.

It is important to involve and address the needs of stakeholders at all levels. Leaders at various levels should also provide appropriate information relating to the improvement work in their own communications to others. Together, these actions will serve to reinforce what is being done, why it is being done, and how it relates to the stated vision, mission, goals, and objectives of the organization. Determining the type, method, and frequency of such messaging is one of the central activities related to communication.

| The ITIL story: Working collaboratively  Henri: *As well as being iterative, our work on the new Axle booking app is also collaborative. We include many of our teams, such as developers, testers, and support staff, and of course, our customers and users. This approach enables us to improve our services in a more responsive and targeted manner, based on feedback.* |
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4.3.4.4 Applying the principle

To apply this principle successfully, consider this advice:

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Collaboration does not mean consensus It is not necessary, or even always wise, to get consensus from everyone involved in an initiative before proceeding. Some organizations are so concerned with getting consensus that they try to make everyone happy and end up either doing nothing or producing something •

that does not properly suit anyone’s needs. Communicate in a way the audience can hear In an attempt to bring different stakeholders into the loop, many organizations use very traditional methods of communication, or they use the same method for all communication. Selecting the right method and message for each audience is critical for success.

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Decisions can only be made on visible data Making decisions in the absence of data is risky. Decisions should be made about what data is needed, and therefore what work needs to be made visible. There may be a cost to collecting data, and the organization must balance that cost against the benefit and intended usage of the data.

4.3.5 Think and work holistically 73



Key message

No service, practice, process, department, or supplier stands alone. The outputs that the organization delivers to itself, its customers, and other stakeholders will suffer unless it works in an integrated way to handle its activities as a whole, rather than as separate parts. All the organization’s activities should be focused on the delivery of value.

Services are delivered to internal and external service consumers through the coordination and integration of the four dimensions of service management (see Chapter 3).

Taking a holistic approach to service management includes establishing an understanding of how all the parts of an organization work together in an integrated way. It requires end-to-end visibility of how demand is captured and translated into outcomes. In a complex system, the alteration of one element can impact others and, where possible, these impacts need to be identified, analysed and planned for.

| The ITIL story: Think and work holistically  Su: *Currently, Axle is working on many initiatives. We have a schedule of iterative releases of our new booking app, as well as our Axle Aware advanced driver assistance system, and the new biometric scanning for collection and return of vehicles.*  Henri: *With so much activity, we need to understand the impacts both*  *upstream and downstream. For example, a decision to expand our booking app with a new functionality would need to consider any resource constraints for our support teams.* |
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4.3.5.1 Applying the principle

To apply this principle successfully, consider this advice:

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Recognize the complexity of the systems Different levels of complexity require different heuristics for decision-making. Applying methods and rules designed for a simple system can be ineffective or even harmful in a complex system, where relationships between components are complicated and change more •

frequently. Collaboration is key to thinking and working holistically If the right 74

mechanisms are put in place for all relevant stakeholders to collaborate in a timely manner, it will be possible to address any issue holistically without being unduly delayed.

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Where possible, look for patterns in the needs of and interactions between system elements Draw on knowledge in each area to identify what is essential for success, and which relationships between elements influence the outcomes. With this information, needs can be anticipated, standards can be set, and a holistic view point can be achieved.

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Automation can facilitate working holistically Where the opportunity and sufficient resources are available, automation can support end-to-end visibility for the organization and provide an efficient means of integrated management.

4.3.6 Keep it simple and practical



Key message

Always use the minimum number of steps to accomplish an objective. Outcome-based thinking should be used to produce practical solutions that deliver valuable outcomes. If a process, service, action, or metric fails to provide value or produce a useful outcome, then eliminate it. Although this principle may seem obvious, it is frequently ignored, resulting in overly complex methods of work that rarely maximize outcomes or minimize cost.

Trying to provide a solution for every exception will often lead to over-complication. When creating a process or a service, designers need to think about exceptions, but they cannot cover them all. Instead, rules should be designed that can be used to handle exceptions generally.

| The ITIL story: Judging what to keep  Su: *Axle’s marketing department has indicated they would like to launch a new end-of-year promotion. The promotion would include a free upgrade to a luxury vehicle during February and the chance to win an overseas holiday.*  *To enter, customers will submit an article titled ‘My Best Driving Holiday Adventure’. The marketing team will then collect and analyse the customer data and create an app that targets their travel preferences.*  75 |
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Henri: *Our developers are already busy with an implementation schedule for biometric services. We need speed to market for this functionality. We must prioritize our work based on the expected value.* 

4.3.6.1 Judging what to keep

When analysing a practice, process, service, metric, or other improvement target, always ask whether it contributes to value creation.

When designing or improving service management, it is better to start with an uncomplicated approach and then carefully add controls, activities, or metrics when it is seen that they are truly needed.

Critical to keeping service management simple and practical is understanding exactly how something contributes to value creation. For example, a step in a process may be perceived by the operational staff involved as a waste of time.

However, from a corporate perspective, the same step may be important for regulatory compliance and therefore valuable in an indirect, but nevertheless important, way. It is necessary to establish and communicate a holistic view of the organization’s work so that individual teams or groups can think holistically about how their work is being influenced by, and in turn influences, others.

| The ITIL story: Judging what to keep  Marco: *Our original booking app captured a lot of data, such as how long it took a customer to complete each form in the booking app. But we discovered that the data provided little value for decision-making. The true value lay in how long the overall booking process took. We refined the booking app fields and improved its overall speed by removing this data capture function.* |
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4.3.6.2 Conflicting objectives

When designing, managing, or operating practices, be mindful of conflicting objectives. For example, the management of an organization may want to collect a large amount of data to make decisions, whereas the people who must do the record-keeping may want a simpler process that does not require as much data entry. Through the application of this and the other guiding principles, the organization should agree on a balance between its competing objectives. In this example, this could mean that services should only generate data that will truly provide value to the decision-making process, and record-keeping should be simplified and automated where possible to maximize value and reduce non-value adding work.

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4.3.6.3 Applying the principle

To apply this principle successfully, consider this advice:

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Ensure value Every activity should contribute to the creation of value. •

Simplicity is the ultimate sophistication It may seem harder to simplify, but it is •

often more effective. Do fewer things, but do them better Minimizing activities to include only those with value for one or more stakeholders will allow more focus on the quality of those actions.

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Respect the time of the people involved A process that is too complicated and bureaucratic is a poor use of the time of the people involved.

•

Easier to understand, more likely to adopt To embed a practice, make sure it is easy to follow.

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Simplicity is the best route to achieving quick wins Whether in a project, or when improving daily operations activities, quick wins allow organizations to demonstrate progress and manage stakeholder expectations. Working in an iterative way with feedback will quickly deliver incremental value at regular intervals.

4.3.7 Optimize and automate



Key message

Organizations must maximize the value of the work carried out by their human and technical resources. The four dimensions model (outlined in Chapter 3) provides a holistic view of the various constraints, resource types, and other areas that should be considered when designing, managing, or operating an organization. Technology can help organizations to scale up and take on frequent and repetitive tasks, allowing human resources to be used for more complex decision-making. However, technology should not always be relied upon without the capability of human intervention, as automation for automation’s sake can increase costs and reduce organizational robustness and resilience.

Optimization means to make something as effective and useful as it needs to be. Before an activity can be effectively automated, it should be optimized to whatever degree is possible and reasonable. It is essential that limits are set on the

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optimization of services and practices, as they exist within a set of constraints which may include financial limitations, compliance requirements, time constraints, and resource availability.

4.3.7.1 The road to optimization

There are many ways in which practices and services can be optimized. The concepts and practices described in ITIL, particularly the practices of continual improvement, and measurement and reporting (see sections 5.1.2 and 5.1.5), are essential to this effort. The specific practices an organization uses to improve and optimize performance may draw upon guidance from ITIL, Lean, DevOps, Kanban, and other sources. Regardless of the specific techniques, the path to optimization follows these high-level steps:

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Understand and agree the context in which the proposed optimization exists This •

includes agreeing the overall vision and objectives of the organization. Assess the current state of the proposed optimization This will help to understand where it can be improved and which improvement opportunities are likely to produce the biggest positive impact.

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Agree what the future state and priorities of the organization should be, focusing on simplification and value This typically also includes standardization of practices and services, which will make it easier to automate or optimize further at a later point.

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Ensure the optimization has the appropriate level of stakeholder engagement and commitment

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Execute the improvements in an iterative way Use metrics and other feedback to check progress, stay on track, and adjust the approach to the optimization as needed.

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Continually monitor the impact of optimization This will help to identify opportunities to improve methods of working.

4.3.7.2 Using automation

Automation typically refers to the use of technology to perform a step or series of steps correctly and consistently with limited or no human intervention. For example, in organizations adopting continuous deployment, it refers to the automatic and continuous release of code from development through to live, and often automatic testing occurring in each environment. In its simplest form, however, automation could also mean the standardization and streamlining of manual tasks, such as defining the rules of part of a process to allow decisions to be made ‘automatically’. Efficiency can be greatly increased by reducing the need for human involvement to stop and evaluate each part of a process.

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Opportunities for automation can be found across the entire organization. Looking for opportunities to automate standard and repeating tasks can help save the organization costs, reduce human error, and improve employee experience.

| The ITIL story: Optimize and automate  Marco: *Axle has started to trial the new biometric technology, and the tests are going well. We’re keen to implement this technology in all our depots.*  Radhika: *Before Axle introduced biometrics, there were many manual, paper based processes. Axle staff used paper checklists to carry out vehicle damage checks. Their notes then had to be entered in a database, which was only available on desktop computers. It was not real time or accessible across other systems.*  Su: *This work was usually put aside until the end of the day, and details were often lost. We had to improve the process of data capture before automating.*  Radhika: *We can automate almost anything. But let’s get the business rules and processes right first.* |
| --- |

4.3.7.3 Applying the principle

To apply this principle successfully, consider this advice:

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Simplify and/or optimize before automating Attempting to automate something that is complex or sub-optimal is unlikely to achieve the desired outcome. Take time to map out the standard and repeating processes as far as possible, and streamline where you can (optimize). From there you can start to automate. •

Define your metrics The intended and actual result of the optimization should be evaluated using an appropriate set of metrics. Use the same metrics to define the baseline and measure the achievements. Make sure that the metrics are •

outcome-based and focused on value. Use the other guiding principles when applying this one When optimizing and automating, it is smart to follow the other principles as well:

•

Progress iteratively with feedback Iterative optimization and automation will make progress visible and increase stakeholder buy-in for future iterations. •

Keep it simple and practical It is possible for something to be simple, but not optimized, so use these two principles together when selecting improvements.

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Focus on value Selecting what to optimize and automate and how to do so •

should be based on what will create the best value for the organization. •

Start where you are The technology already available in the organization may have features and functionalities that are currently untapped or under utilized. Make use of what is already there to implement opportunities for optimization and automation quickly and economically.

4.3.8 Principle interaction

As well as being aware of the ITIL guiding principles, it is also important to recognize that they interact with and depend upon each other. For example, if an organization is committed to progressing iteratively with feedback, it should also think and work

holistically to ensure that each iteration of an improvement includes all the elements necessary to deliver real results. Similarly, making use of appropriate feedback is key to collaboration, and focusing on what will truly be valuable to the customer makes it easier to keep things simple and practical.

Organizations should not use just one or two of the principles, but should consider the relevance of each of them and how they apply together. Not all principles will be critical in every situation, but they should all be reviewed on each occasion to determine how appropriate they are.

4.4 Governance

4.4.1 Governing bodies and governance



Key message

Every organization is directed by a governing body, i.e. a person or group of people who are accountable at the highest level for the performance and compliance of the organization. All sizes and types of organization perform governance activities; the governing body may be a board of directors or executive managers who take on a separate governance role when they are performing governance activities. The governing body is accountable for the organization’s compliance with policies and any external regulations.

Organizational governance is a system by which an organization is directed and 80