ULTIMATE

ITIL® Version 5 Foundation Certification Guide

The Complete ITIL® Version 5 Foundation Guide to Digital Services, Service Value Systems, Governance, and Continual Improvement

ITIL®
by PeopleCert



Sankarsan Biswas

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Version 5 Foundation
Certification Guide

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Sankarsan Biswas



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Dedicated To

My Beloved Family:

My Dearest Wife, Nandita

And

My Beloved Daughter, Sudarshana.

About the Author

Sankarsan Biswas is an accomplished IT Service Management (ITSM) and IT Governance professional with over 35 years of experience in designing, implementing, and optimizing service management frameworks across global organizations. His expertise spans ITSM, IT governance, operational excellence, digital trust, service delivery management, business continuity, disaster recovery, and enterprise process transformation.

A PeopleCert Ambassador, ITIL Master, ITIL V3 Expert, ITIL 4 Practice Manager, Agile Scrum Master, and ISO/IEC 27001 Lead Auditor, Sankarsan has built a distinguished career helping organizations improve service performance, strengthen governance, and deliver sustainable business value through structured management practices and continual improvement.

Throughout his professional journey, he has held leadership positions with prominent organizations including IBM, HCL, ANZ Grindlays Bank, Standard Chartered Bank, Sagarsoft, and iNurture Education Solutions. Sankarsan has successfully managed global service delivery operations, large-scale IT transitions, data centre operations, service desks, infrastructure management, vendor ecosystems, and geographically distributed teams supporting mission-critical business services.

As the founder of SANASU, Sankarsan has provided independent consulting services to organizations across the Middle East and Asia, advising clients on ITIL adoption, ITSM process enhancement, governance frameworks, operational optimization, and digital transformation initiatives. His consulting engagements have covered sectors such as transportation, aviation, telecommunications, financial services, energy, and public services.

His prime objective in writing this book is to help readers move beyond certification preparation, and develop a deeper understanding of how ITIL Version 5 can be applied to create value, improve organizational performance, and enable successful digital transformation initiatives.

About the Technical Reviewer

Michael Imhoff Nielsen is an Expert Director for Imhoff Consult with a primary focus on ITSM. With 40 years of experience in the IT industry, he has worked as a developer, consultant, assessor, instructor, and mentor. He holds certifications in ITIL, COBIT, SIAM, PRINCE2, and Prosci Change Management, and is an accredited instructor and assessor for ITIL and SIAM. As an ITSM consultant, he has been part of short-term engagements and projects ranging from a few days to several years across organizations.

Michael's passion for sharing knowledge and driving improvement has led him to engage in volunteer work. He served on the board of the IT Service Management Forum Denmark for a decade, contributed to several sub-committees and working groups locally and globally, spent three years on the IT Service Management Forum International Executive Board, and five years as a SIAM network facilitator at the Danish IT Society. In addition, he has been a reviewer of several publications, including ITIL V3 Service Operation, Service Design, and ITIL4 Drive Stakeholder Value. Michael was also a part of the translation team of the ITIL V3 Glossary and the ITIL Foundation Handbook into Danish.

In 2013, Michael was awarded the title of Fellow in Service Management by the PRISM Institute, in recognition of his background, experience, and contributions to the field.

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I am especially thankful to my clients and organizational partners including my publisher, Orange Education Pvt Ltd, whose insights, and transformation journeys inspired many of the ideas captured in these chapters. Their trust and willingness to explore new possibilities enabled me to translate theory into meaningful, practical frameworks.

My sincere appreciation goes to my readers, students, and the ITSM community who continually motivate me to simplify, refine, and advance complex concepts for practitioners around the world. Your curiosity and passion for excellence in service management are the true driving forces behind this book!

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Thank you all for being a part of this fascinating journey!

Preface

The world of service management is evolving rapidly. Organizations today operate in an environment shaped by digital transformation, Artificial Intelligence (AI), automation, cloud computing, cybersecurity challenges, and ever-increasing stakeholder expectations. To remain relevant and effective, service management practices must evolve beyond traditional process-centric approaches and embrace a more holistic, adaptive, and value-driven model.

This book has been written to help readers understand and apply the principles, concepts, and practices of **ITIL® Version 5** in a practical and meaningful way. Whether you are a student preparing for certification, an IT professional seeking to strengthen your service management capabilities, a manager responsible for delivering business value, or a leader driving organizational transformation, this book is designed to support your journey.

Throughout these chapters, I have attempted to bridge the gap between theory and practice by combining foundational concepts with real-world examples, implementation guidance, emerging trends, and practical insights gained from years of experience in IT service management and governance. Special attention has been given to the integration of modern topics such as digital services, value streams, operating models, artificial intelligence, continual improvement, governance, and organizational transformation.

Thus, this book will not only help you understand ITIL Version 5 but also inspire you to think differently about creating value, improving services, and enabling sustainable business outcomes in a rapidly changing digital world.

This book is structured as a progressive learning journey across 10 interconnected chapters that guide readers through the concepts, principles, models, and practices of **ITIL® Version 5** . Rather than presenting service management as a collection of isolated processes, the book demonstrates how modern organizations can create, deliver, support, and continually improve digital products and services through an integrated, value-driven approach.

The chapters take readers from the evolution of IT service management and the changing digital landscape to the core concepts of the ITIL Version 5 Service Value System, operating model, service journey, value streams, management practices, capability development, maturity assessment, and practical implementation approaches. Throughout the book, traditional ITIL concepts are examined alongside emerging trends such as digital transformation, automation, artificial intelligence, agile ways of working, and experience-driven service management.

Real-world examples, practical guidance, implementation considerations, and comparative insights help bridge the gap between certification knowledge and practical application. The content is designed not only to help readers understand the framework but also to apply its principles effectively within organizations of different sizes, industries, and levels of maturity.

Designed for students, IT professionals, service managers, consultants, leaders, and transformation practitioners, this book serves as a practical guide to adopting, scaling, and sustaining ITIL Version 5. Its ultimate objective is to help organizations enhance service value, improve stakeholder experiences, strengthen governance, and build resilient, adaptive service management capabilities for the digital age.

Chapter-wise Summary

Chapter 1: Evolving IT Service Management

This chapter explores the evolution of IT Service Management from traditional service-centric approaches to modern Digital Product and Service Management. Readers will understand the forces driving change, including cloud computing, DevOps, automation, artificial intelligence, and the experience economy. The chapter explains why organizations must adopt value-driven, outcome-focused approaches and how ITIL Version 5 addresses the challenges of complexity, governance, sustainability, and AI-enabled service management.

Chapter 2: Introduction to Key Concepts of ITIL

This chapter introduces the fundamental concepts that underpin ITIL Version 5. Readers will learn the meaning of products, services, value co-creation, service relationships, customer experience, service quality, costs,

risks, utility, warranty, and the service journey. The chapter establishes the conceptual foundation required to understand how organizations create and deliver value in modern digital environments.

Chapter 3: ITIL's Four Dimensions of Product and Service Management

This chapter explains the Four Dimensional Model and its role in ensuring a balanced and holistic approach to managing digital products and services. Readers will learn how organizations, people, information, technology, partners, suppliers, value streams, and external factors collectively influence service success and sustainable value creation.

Chapter 4: Key Concepts of Digital Product and Service Management

This chapter examines the principles and practices that define Digital Product and Service Management. Readers will gain a deeper understanding of digital products, services, service offerings, stakeholder relationships, customer experiences, service quality, and value creation within the digital economy.

Chapter 5: ITIL Product and Service Lifecycle

This chapter introduces the ITIL Product and Service Lifecycle, and explains how digital products and services progress from discovery and design through acquisition, development, transition, operation, delivery, support, and continual improvement. Readers will understand how lifecycle thinking enables organizations to deliver sustainable value, while remaining responsive to changing business needs.

Chapter 6: The ITIL Value System: Part I

This chapter presents the ITIL Value System (IVS), the overarching framework that connects governance, strategy, practices, and continual improvement. Readers will learn about the guiding principles, governance mechanisms, and management responsibilities that enable organizations to align activities toward value creation and business objectives.

Chapter 7: The ITIL Value System: Part II

This chapter explores the operational components of the ITIL Value System. Readers will learn how the Value Chain transforms demand into

value, how management practices support organizational capabilities, and how continual improvement, performance measurement, automation, and AI contribute to organizational effectiveness and service excellence.

Chapter 8: Identifying, Mapping, and Managing Value Streams

This chapter focuses on the practical application of value stream thinking. Readers will learn how to identify, map, analyse, measure, and optimize value streams to improve efficiency, reduce complexity, eliminate waste, and enhance stakeholder outcomes. The chapter also examines the role of automation and AI in value stream optimization.

Chapter 9: Completing the ITIL Foundation Picture

This chapter brings together several important concepts that complete the ITIL Foundation-level understanding. Readers will explore the 6C Model, Service Journey, ITIL Practice Guides, ITIL Maturity Model, Operating Model, and ITIL Transformation Model. Together, these concepts provide a broader perspective on capability development, organizational transformation, and service excellence.

Chapter 10: Outline of the Certification Journey

This chapter provides a comprehensive overview of the ITIL Version 5 certification framework. Readers will understand the certification structure, qualification pathways, examination approach, assessment methods, and study strategies. The chapter also explains how certification supports professional development and long-term career growth.

Chapter 11: Implementation and Next Steps

This concluding chapter focuses on translating ITIL Version 5 knowledge into practical organizational outcomes. Readers will learn how to assess readiness, define implementation priorities, secure executive sponsorship, tailor ITIL to organizational needs, establish value streams, embed continual improvement, leverage automation and AI, and build sustainable service management capabilities that deliver measurable business value.

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CHAPTER 1

Evolving IT Service Management

Introduction

This chapter introduces the evolution of Information Technology (IT) Service Management within today's digital, experience-driven, and AI-enabled business environment. It explains how traditional IT operations have evolved into Digital Product and Service Management (DPSM), driven by rapid technological innovation, changing customer expectations, and increasing organizational complexity.

The chapter reviews the progression of service management frameworks and highlights the shift from stability and process control toward agility, innovation, and value co-creation. It also explains the transition from service-centric thinking to product-oriented lifecycle management, which is essential for organizations operating in digital ecosystems.

Key transformation drivers—including cloud computing, DevOps, automation, Artificial Intelligence (AI), sustainability, and experience-centric design—are introduced to explain the structural changes reflected in Information Technology Infrastructure Library (ITIL) Version 5.

Overall, this chapter serves as a conceptual bridge between traditional Information Technology Service Management (ITSM) practices and modern digital management approaches, preparing readers to understand the principles of digital product and service management, lifecycle integration, value stream optimization, and AI-enabled service capabilities.

Structure

In this chapter, we will cover the following topics:

- The Evolution of IT Service Management
- From Service-Centric to Digital Product-Centric Thinking
- The Rise of the Digital and Experience Economy

- Drivers of Change in the Form of Cloud, DevOps, Automation, and AI
- Managing Complexity in Modern Organizations
- Value Co-Creation and Outcome Orientation
- The Expanding Role of Governance and Sustainability
- The Emergence of AI-Enabled Service Management
- ITIL Version 5 Represents a Strategic Shift

The Evolution of IT Service Management

Information technology has undergone a profound transformation over the past several decades. What began as a function primarily responsible for maintaining computing infrastructure has evolved into a strategic capability that enables organizations to create value through digital products and services. The discipline that guides this transformation—ITSM—has similarly evolved from operational support practices to a comprehensive framework for managing digital value delivery.

Understanding this evolution is essential for appreciating the significance of modern service management frameworks such as ITIL Version 5, which extend traditional ITSM concepts into the broader domain of DPSM.

Early IT Operations: Technology-Centric Management

In the early decades of enterprise computing, particularly during the 1970s and 1980s, IT departments were primarily concerned with managing hardware, networks, and data centers. The focus was largely technical: Ensuring that systems were operational, maintaining infrastructure reliability, and providing basic computing services to internal users. Organizations relied on centralized mainframe systems, and IT teams were typically responsible for system administration, hardware maintenance, and application support. During this era, success was measured by system uptime, processing capacity, and operational stability, rather than by business outcomes or customer value.

However, as technology adoption expanded across organizations, IT environments became increasingly complex. Enterprises began to depend

heavily on IT systems to support core business processes, making operational disruptions costlier and more visible. This growing dependency created the need for structured management approaches to IT operations.

Emergence of Structured Service Management

The concept of formalized IT service management began to gain traction in the late 1980s and early 1990s. Organizations recognized that technology operations required standardized processes to ensure consistent service delivery, efficient incident resolution, and reliable change management. Frameworks such as ITIL were introduced to address this need. Initially developed by the UK government's Central Computer and Telecommunications Agency (CCTA), ITIL provided a collection of best practices for managing IT services.

Early ITIL guidance focused on areas such as:

- Incident management
- Problem management
- Change enablement
- Configuration management
- Service desk

The primary objective during this stage was stability and operational control. Organizations sought to reduce service disruptions, standardize processes, and improve service reliability. IT departments began transitioning from purely technical operations toward a service-oriented mindset, where IT capabilities were delivered and managed as services to internal or external customers.

The Shift from Technology Management to Service Management

As digital technologies advanced and organizations became increasingly dependent on IT systems, the role of IT evolved beyond infrastructure management. Enterprises began to view IT not merely as a support function, but also as a critical enabler of business operations and competitive advantage. This shift required IT teams to move from focusing

solely on technology performance toward managing end-to-end services that support business outcomes. Instead of measuring success through technical metrics such as server uptime or network latency, organizations started evaluating IT performance based on:

- Service availability
- User satisfaction
- Business continuity
- Operational efficiency
- Customer experience

According to the ITIL framework, this transition represented a fundamental change in perspective—from managing technology components to managing services that deliver value to users and stakeholders. This shift also introduced the idea that service management must address not only operational efficiency but also value creation, customer outcomes, and business alignment.

The Digital Transformation Era

The first quarter of the twenty-first century introduced an unprecedented wave of technological innovation. Advances in cloud computing, mobile technologies, distributed networks, and digital platforms fundamentally reshaped how organizations operate and deliver services. During this period, IT became deeply integrated into virtually every aspect of modern business. Digital technologies enabled new business models, real-time customer engagement, and globally distributed service delivery. As noted in the official ITIL guidance, technology is no longer limited to computing devices or networks; it encompasses digital products, services, and the entire ecosystem that supports them.

This transformation introduced several new challenges for service management, including:

- Managing rapidly evolving digital ecosystems.
- Integrating development and operations practices.
- Supporting continuous delivery of digital services.
- Ensuring resilience in highly distributed systems.

- Managing complex supplier and partner ecosystems.

Traditional ITSM approaches, which were designed primarily for stable and predictable environments, needed to evolve to support dynamic digital organizations.

The Emergence of Digital Product and Service Management (DPSM)

Modern organizations increasingly deliver value through digital services, which are built and based on digital products rather than standalone IT services. Examples include mobile applications, digital platforms, AI-enabled services, and integrated customer experience ecosystems. In response to these developments, service management has expanded to incorporate product management principles. Instead of focusing solely on maintaining operational services, organizations now manage the entire lifecycle of digital products and services—from concept and development to deployment, operation, and continual improvement.

This integrated perspective is known as DPSM.

Digital product and service management emphasizes:

- End-to-end lifecycle management,
- Cross-functional collaboration between business, development, and operations,
- Continual improvement and innovation,
- Customer-centric design, and
- Data-driven decision-making.

By integrating product thinking with service management practices, organizations can deliver digital solutions that evolve continuously while maintaining reliability and governance.

From Operational Support to Strategic Value Creation

Another major milestone in the evolution of ITSM is the shift toward value co-creation. Modern service management recognizes that value is not

created solely by the service provider, but also emerges through interactions between providers, consumers, partners, and technology ecosystems.

In this context, ITSM is no longer confined to operational support functions. Instead, it plays a strategic role in enabling organizations to conduct the following tasks:

- Deliver superior digital experiences.
- Innovate rapidly while maintaining governance.
- Align technology investments with business strategy.
- Support sustainable and resilient digital ecosystems.

The focus has therefore expanded from service delivery to value orchestration across complex digital environments.

A Continuous Evolution

The evolution of IT Service Management reflects the broader transformation of technology within society. Over the past four decades, the discipline has progressed through the following key stages:

1. **Technology Management Era:** Focus on infrastructure stability and operational control.
2. **Service Management Era:** Introduction of standardized processes for reliable service delivery.
3. **Business Alignment Era:** IT services aligned with business outcomes and customer needs.
4. **Digital Transformation Era:** Integration of cloud, automation, and digital platforms.
5. **DPSM Era:** End-to-end lifecycle management of digital value streams.

Each stage represents an expansion of the scope and responsibility of service management.

Today, ITSM sits at the intersection of technology, business strategy, governance, and customer experience. The next phase of this evolution—reflected in ITIL Version 5—recognizes that managing digital products and

services requires holistic frameworks that combine agility, resilience, governance, and innovation.

Setting the Stage for ITIL Version 5

The progression from traditional IT operations to modern DPSM sets the context for understanding the significance of ITIL Version 5.

As organizations navigate increasingly complex digital environments, service management must evolve to address new realities such as:

- AI-driven automation
- Digital ecosystems and platforms
- Continuous delivery and DevOps integration
- Sustainability and governance requirements
- Experience-driven service design

ITIL Version 5 builds upon decades of service management experience while introducing new perspectives that align with modern digital enterprises. It recognizes that the management of technology is no longer limited to maintaining systems—it is fundamentally about enabling organizations to create, deliver, and sustain value through digital products and services.

From Service-Centric to Digital Product-Centric Thinking

For many years, organizations approached technology management primarily through a service-centric model. In this model, IT departments focused on delivering services that supported business operations—such as email systems, infrastructure hosting, enterprise applications, and network connectivity. These services were typically designed, implemented, and maintained through structured operational processes that emphasized reliability, availability, and support.

While this approach significantly improved operational stability and service quality, it gradually became clear that traditional service management alone could not fully address the needs of rapidly evolving digital enterprises. As organizations increasingly rely on digital capabilities to innovate, compete,

and deliver customer value, the management of technology has expanded beyond service delivery to include the full lifecycle of digital products and services.

This shift represents one of the most important conceptual transformations in modern IT management: the transition from service-centric thinking to digital product-centric thinking.

The Traditional Service-Centric Approach

In the service-centric model, IT services are viewed as operational capabilities that support business processes. The primary objective is to ensure that services remain available, stable, and responsive to user needs. This approach introduced many important disciplines, including incident management, problem management, service request management, and change enablement.

Service management frameworks such as ITIL provided structured guidance for managing these operational activities. The emphasis was placed on the following:

- Maintaining service reliability and availability.
- Resolving incidents efficiently.
- Managing service changes in a controlled manner.
- Ensuring consistent service delivery through standardized processes.

In this model, services were often defined in terms of infrastructure or application capabilities. For example, organizations might manage services such as database hosting, network connectivity, enterprise email platforms, or enterprise resource planning systems.

While these services were essential to business operations, the primary focus remained on supporting internal processes and maintaining operational continuity.

Limitations of the Traditional Service Model

As digital transformation accelerated, organizations began to encounter several limitations in the traditional service-centric approach.

First, the pace of technological innovation increased dramatically. Cloud computing, mobile applications, and digital platforms enabled organizations to deliver new capabilities at a much faster rate than traditional IT environments could support.

Second, customer expectations changed significantly. Modern customers expect seamless digital experiences, continuous service improvements, and rapid innovation. Static service offerings are no longer sufficient to meet these expectations.

Third, the boundaries between IT and business functions began to blur. Digital capabilities became deeply embedded within products, customer experiences, and business strategies. In many cases, the technology itself became the product delivered to customers.

These developments required organizations to rethink how they design, deliver, and manage technology-enabled offerings.

Emergence of Digital Product Thinking

Product management has long been a common discipline in industries such as manufacturing and consumer goods. In these industries, products are designed, developed, improved, and marketed based on customer needs and market demand. In the digital era, organizations began applying similar principles to technology-enabled offerings. Rather than treating technology capabilities merely as services supporting internal processes, organizations started managing them as digital products that evolve continuously throughout their lifecycle.

A digital product may include software applications, digital platforms, cloud-based services, mobile applications, or integrated digital ecosystems. Unlike traditional services, digital products are typically developed and improved through iterative innovation cycles, incorporating user feedback, analytics, and continuous delivery practices.

This product-oriented perspective places greater emphasis on:

- Customer experience and user outcomes,
- Continuous innovation and improvement,
- Cross-functional collaboration,
- Data-driven decision-making, and

- Lifecycle management of digital offerings.

In this model, technology teams work closely with business stakeholders, product managers, developers, and operations specialists to ensure that digital products continuously deliver value.

Integrating Product and Service Management

Modern organizations increasingly recognize that product management and service management are not separate disciplines but complementary capabilities. Digital products must be both innovative and reliable; they must evolve rapidly while maintaining operational stability. For this reason, contemporary service management frameworks emphasize the integration of product and service lifecycle management. This integrated perspective ensures that digital offerings are designed, developed, deployed, operated, and continually improved in a coordinated manner.

According to modern ITIL guidance, organizations benefit most when product management principles are combined with service management practices, enabling a holistic approach to managing digital products and services.

This integrated approach supports the following:

- End-to-end lifecycle management of digital offerings.
- Continuous delivery of new capabilities.
- Improved alignment between business goals and technology initiatives.
- Better collaboration between development, operations, and business teams.

By integrating these disciplines, organizations can achieve both innovation agility and operational resilience.

Lifecycle Thinking in Digital Product Management

Another key characteristic of digital product-centric thinking is the emphasis on lifecycle management. Rather than viewing services as static

operational components, organizations manage digital products through a continuous lifecycle that includes various stages: discovery, design, development, deployment, operation, and improvement.

This lifecycle perspective enables organizations to:

- Identify new opportunities for digital innovation.
- Design solutions aligned with user needs and business goals.
- Build and deploy digital capabilities efficiently.
- Operate services reliably in production environments.
- Continuously refine products based on feedback and performance data.

Lifecycle integration ensures that digital products remain relevant, adaptable, and aligned with changing market conditions.

Collaboration across Digital Ecosystems

Digital product-centric management also recognizes that modern services rarely exist in isolation. Most digital offerings operate within complex ecosystems that include partners, suppliers, cloud providers, and platform integrations. Managing these ecosystems requires organizations to coordinate multiple stakeholders, technologies, and value streams. Product teams must collaborate with operations teams, security specialists, infrastructure providers, and external partners to ensure that digital products deliver consistent value.

This ecosystem-oriented perspective reinforces the importance of value co-creation, where providers and consumers work together to generate meaningful outcomes.

The Strategic Importance of Product-Centric Thinking

The transition from service-centric to product-centric thinking has significant strategic implications for organizations.

First, it enables organizations to respond more rapidly to changing market conditions. Digital products can evolve continuously, allowing

organizations to introduce new features, respond to customer feedback, and innovate quickly.

Second, it improves alignment between technology and business strategy. When digital capabilities are managed as products, they are directly connected to customer value, revenue generation, and strategic objectives.

Third, it supports modern development approaches such as Agile and DevOps, which emphasize iterative delivery, cross-functional collaboration, and continuous improvement.

Together, these capabilities allow organizations to build digital environments that are adaptive, resilient, and innovation-driven.

Preparing for the DPSM Model

The shift toward digital product-centric thinking lays the foundation for the broader management model introduced in ITIL Version 5. This model recognizes that technology-enabled offerings must be managed as integrated digital products and services within dynamic ecosystems.

By combining product thinking, service management practices, and lifecycle integration, organizations can deliver digital capabilities that continuously evolve while maintaining high levels of reliability and governance.

This transformation ultimately enables organizations to move beyond traditional service delivery toward sustainable digital value creation.

The Rise of the Digital and Experience Economy

Over the past two decades, the global business landscape has undergone a major transformation driven by digital technologies. Organizations are no longer defined solely by the physical products they manufacture or the traditional services they provide. Instead, they increasingly compete based on their ability to deliver digital experiences that create meaningful value for customers and stakeholders. This transformation has given rise to the digital economy, in which digital platforms, data-driven services, and interconnected ecosystems form the foundation of modern business operations. At the same time, another important shift has emerged: the experience economy. In this model, organizations differentiate themselves

not only through their products or services but through the quality, personalization, and consistency of the experiences they provide to customers, users, and partners.

Together, these two trends are reshaping how organizations design, deliver, and manage technology-enabled services.

Understanding the Digital Economy

The digital economy refers to an environment in which digital technologies play a central role in creating, delivering, and consuming value. Advances in cloud computing, AI, data analytics, mobile technologies, and global connectivity have enabled organizations to develop digital capabilities that were unimaginable only a decade ago.

Digital technologies now support a wide range of services, including online commerce platforms, mobile banking applications, digital media streaming services, smart transportation systems, and cloud-based enterprise software. In many industries, digital platforms have become the primary interface between organizations and their customers. Businesses that once relied on physical interactions now deliver services instantly through digital channels accessible from anywhere in the world.

As a result, technology has evolved from a support function into a core driver of innovation and competitive advantage.

The Emergence of the Experience Economy

While the digital economy focuses on technological enablement, the experience economy focuses on how customers perceive and interact with digital services. In modern markets, customers expect more than functional capabilities. They demand experiences that are seamless, intuitive, personalized, and consistently available across multiple digital channels.

For example, users of a mobile banking application expect a smooth interface, secure transactions, fast response times, and reliable customer support. Even if the underlying system remains operational, a poor user experience can significantly reduce the perceived value of the service. Consequently, organizations must design services that prioritize human-centered digital experiences alongside operational reliability.

Digital Experience as a Competitive Advantage

As digital markets become increasingly competitive, customer experience has become a key differentiator between organizations. Companies offering similar digital services often compete based on how effectively they deliver engaging and intuitive user experiences.

This trend is particularly visible in sectors such as digital banking, e-commerce, ride-sharing platforms, online education, media streaming, and digital healthcare. In these industries, customer loyalty and market success depend heavily on the quality of the digital experience rather than on functional features alone.

Organizations that consistently deliver superior experiences often achieve stronger customer engagement, higher retention rates, and sustained business growth.

The Role of Data in Experience-Driven Services

Data plays a central role in shaping modern digital experiences. Digital services generate large volumes of information about user behavior, service usage, system performance, and operational patterns. By analyzing this data, organizations can gain insights into how customers interact with their services. These insights allow organizations to personalize user experiences, anticipate customer needs, identify improvement opportunities, optimize operational performance, and detect potential service disruptions before they occur. As a result, data-driven decision-making has become an essential capability in modern service management.

Ecosystem-Based Value Creation

Another defining characteristic of the digital economy is the rise of ecosystem-based business models. Digital platforms often connect multiple participants—such as customers, suppliers, developers, and service providers—within shared environments. Examples include application development platforms, digital payment networks, cloud service marketplaces, and integrated digital commerce platforms. In such ecosystems, value is rarely created by a single organization. Instead, it

emerges through collaboration among multiple participants who contribute resources, capabilities, and services.

This collaborative environment reinforces the concept of value co-creation, which is central to modern service management frameworks.

Implications for Service Management

The rise of the digital and experience economy significantly changes how organizations manage services. Traditional service management primarily focused on operational stability and incident resolution. While these capabilities remain essential, modern service management must also support innovation, digital integration, and customer experience.

Organizations must therefore manage complex digital platforms, analyze large volumes of operational and customer data, ensure security and reliability, and deliver continuous service improvements. Success is increasingly measured not only through technical metrics but also through outcomes such as customer satisfaction, digital adoption, engagement levels, and business value created through digital services.

Ultimately, the digital and experience economy requires service management approaches that integrate technology operations, product management, experience design, and governance, enabling organizations to deliver meaningful outcomes for customers and stakeholders.

Drivers of Change in the Form of Cloud, DevOps, Automation, and AI

The rapid evolution of digital technologies has fundamentally transformed how organizations design, deliver, and manage services. Over the past decade, innovations such as cloud computing, DevOps practices, intelligent automation, and AI have significantly reshaped the operating environment for service management.

These technologies have increased the speed, scale, and complexity of digital service delivery. As a result, organizations must adopt modern management approaches that are capable of supporting highly dynamic digital ecosystems. Contemporary service management frameworks recognize that these technologies are not merely tools for efficiency, but

also structural drivers of organizational transformation. Understanding their impact is therefore essential for appreciating the evolution of IT service management and the emergence of DPSM.

Cloud Computing Transforming Infrastructure and Service Delivery

Cloud computing represents one of the most significant technological shifts in modern IT environments. Instead of relying solely on on-premise infrastructure, organizations now access computing resources through cloud platforms that provide scalable, on-demand services.

Cloud service models generally include:

- **Infrastructure as a Service (IaaS)** : Virtualized computing resources such as servers, storage, and networking.
- **Platform as a Service (PaaS)** : Development platforms that enable application creation without managing underlying infrastructure.
- **Software as a Service (SaaS)** : Fully managed applications delivered through web-based interfaces.

This model has dramatically changed how technology services are delivered. Infrastructure provisioning that once required weeks can now be completed in minutes, enabling organizations to scale services rapidly based on demand.

However, cloud adoption also introduces new management challenges. Organizations must coordinate multiple providers, manage hybrid environments, ensure data security, and maintain governance across distributed platforms. Effective service management practices are therefore essential for maintaining visibility, control, and reliability in cloud environments.

DevOps Bridging Development and Operations

Another major driver of change is the widespread adoption of DevOps practices. Traditionally, software development and IT operations were managed as separate functions. Development teams focused on delivering

new features, while operations teams concentrated on maintaining stability and minimizing risk.

This separation often resulted in delays, inefficiencies, and communication gaps. DevOps emerged to address these issues by promoting collaboration between development and operations teams.

Key DevOps principles include :

- Cross-functional collaboration
- Continuous Integration and Continuous Delivery (CI/CD)
- Automated testing and deployment
- Rapid feedback cycles
- Continuous improvement

By integrating development and operations activities, DevOps enables organizations to deliver digital capabilities more rapidly while maintaining reliability. This approach aligns with modern product-centric service delivery, where digital services evolve through continuous iteration.

Automation Enhancing Efficiency and Scalability

Automation has long been used in IT environments to improve efficiency and consistency, but modern automation technologies have significantly expanded its scope. Automation now supports activities such as infrastructure provisioning, incident detection, service request fulfillment, configuration management, deployment pipelines, and performance monitoring. By reducing manual intervention, automation minimizes human error and accelerates operational workflows. Automated monitoring tools can detect anomalies and initiate corrective actions before users experience service disruptions.

Automation also enables organizations to scale operations effectively. As digital environments grow in complexity, manual processes become unsustainable. Automation allows organizations to manage large-scale digital ecosystems while maintaining operational stability.

AI and Intelligent Operations

AI represents the next stage in the evolution of service management. AI technologies analyze large volumes of operational data to identify patterns, predict disruptions, and support intelligent decision-making. In service management environments, AI enables capabilities such as predictive incident detection, automated root cause analysis, intelligent service desk assistants, self-healing infrastructure, predictive capacity planning, and advanced customer support chatbots.

These capabilities allow organizations to move beyond reactive operational models toward predictive and proactive service management. AI-driven analytics can identify potential issues before they affect users, enabling service teams to resolve problems earlier and improve service reliability.

Combined Impact on Service Management

While each of these technologies has a significant impact, their combined effect is even more transformative. Combined, they enable digital environments characterized by rapid innovation cycles, continuous delivery, scalable infrastructure, intelligent operational insights, and interconnected digital ecosystems.

To support these environments, service management frameworks must become more flexible, adaptive, and data-driven. Traditional models designed for stable infrastructure must evolve to support continuous delivery, ecosystem collaboration, intelligent automation, and real-time decision-making.

Implications for Modern Service Management

These technological drivers reshape the objectives of service management. Instead of focusing solely on operational stability, modern service management must balance innovation speed, operational resilience, and governance. Organizations must develop capabilities to integrate cloud and hybrid environments, support DevOps-based software delivery, automate operational processes, and leverage AI-driven insights to improve service performance.

Modern frameworks such as ITIL recognize that service management must extend beyond operational practices to include value stream management, lifecycle integration, governance oversight, and experience-driven service

delivery. These developments are preparing organizations for the next stage of service management evolution—one in which digital products and services operate within intelligent ecosystems powered by automation, analytics, and continuous innovation.

Managing Complexity in Modern Organizations

As organizations adopt advanced technologies and digital business models, they must navigate environments that are significantly more complex than those of the past. Modern enterprises operate within interconnected ecosystems composed of distributed infrastructure, cloud platforms, digital applications, partners, suppliers, and global user communities. Managing such environments requires new approaches that go beyond traditional operational management practices.

The complexity of modern organizations arises from several factors, including rapid technological innovation, interconnected digital ecosystems, dynamic customer expectations, and evolving regulatory requirements. These forces create operational environments in which change is constant, and the relationships between systems, services, and stakeholders are highly interdependent.

In this context, service management frameworks must provide structures that allow organizations to coordinate multiple moving parts while continuing to deliver reliable and valuable digital services.

Sources of Organizational Complexity

Modern organizations face complexity across multiple dimensions. One of the primary drivers is the scale and diversity of technology environments. Unlike traditional IT infrastructures, which were often centralized and relatively predictable, modern environments typically include hybrid architectures that combine on-premises systems, cloud platforms, microservices, and third-party services.

These environments may span multiple geographic regions and incorporate technologies from numerous vendors. Each component must interact reliably with others, creating intricate dependency relationships across the digital ecosystem.

Another major source of complexity is the speed of technological change. New technologies, platforms, and frameworks are introduced continuously, requiring organizations to adapt rapidly while maintaining operational stability. The pace of change makes it increasingly difficult to rely on rigid processes or static organizational structures.

In addition, modern enterprises often collaborate with external partners, suppliers, and platform providers. These collaborations extend the organization's operational boundaries and require careful coordination across organizational, contractual, and technological interfaces.

Interconnected Digital Ecosystems

Digital transformation has fundamentally altered how organizations create and deliver value. Rather than operating as isolated entities, many organizations now function within digital ecosystems composed of interconnected participants that collaborate to deliver integrated services.

For example, a digital banking platform may depend on payment networks, identity verification services, cloud infrastructure providers, cybersecurity partners, and mobile application platforms. Each of these participants contributes capabilities that collectively enable the customer experience.

Managing such ecosystems requires organizations to understand and coordinate multiple value streams that span organizational boundaries. A disruption in one component of the ecosystem can affect the entire service chain, making resilience and coordination critical capabilities.

Service management frameworks, therefore, emphasize the need for holistic management approaches that consider the entire ecosystem rather than focusing solely on individual services or technical components.

The Challenge of Organizational Silos

Another important dimension of complexity arises from organizational silos. In many enterprises, different departments or teams operate with specialized responsibilities and priorities. Development teams focus on innovation and feature delivery, operations teams prioritize reliability and stability, while business units concentrate on revenue generation and customer engagement.

While specialization can improve efficiency within individual functions, it can also create barriers to collaboration and coordination. When teams operate independently without shared objectives or communication channels, service delivery can become fragmented and inefficient.

Modern service management approaches seek to address this challenge by promoting cross-functional collaboration and integrated value delivery. Concepts such as value streams and product lifecycle management encourage organizations to view service delivery as an end-to-end process that involves multiple teams working toward a shared objective.

Navigating Uncertainty and Rapid Change

Modern organizations must also operate in environments characterized by high levels of uncertainty. Technological innovation, market disruptions, and evolving customer expectations make it difficult to predict future conditions with certainty.

As a result, organizations must adopt management approaches that emphasize adaptability and resilience. Rather than relying on rigid planning models, modern enterprises benefit from iterative approaches that enable continuous learning and improvement.

This adaptability is supported by practices such as:

- Iterative development cycles,
- Continuous integration and delivery,
- Rapid feedback loops, and
- Data-driven decision-making.

These practices allow organizations to respond quickly to changing conditions while maintaining alignment with strategic objectives.

The Importance of Holistic Management

Managing complexity effectively requires organizations to adopt a holistic perspective that considers the relationships between the organization, people, value streams, processes, information, technology, suppliers, and partners. No single component of the organization can operate effectively in

isolation; success depends on how well these components interact and support one another.

Modern service management frameworks emphasize this holistic perspective by encouraging organizations to evaluate their operations across multiple dimensions. These dimensions include organizational structure, technological infrastructure, supplier relationships, and the workflows that enable value creation.

By examining these elements collectively, organizations can identify interdependencies and design management practices that support coordinated service delivery.

Balancing Innovation and Stability

One of the central challenges of modern service management is balancing two seemingly competing objectives—innovation and operational stability.

On one hand, organizations must innovate continuously to remain competitive in rapidly evolving digital markets. They must introduce new features, adopt emerging technologies, and respond to changing customer expectations.

On the other hand, digital services must remain reliable, secure, and resilient. Customers and stakeholders expect consistent performance and uninterrupted service availability.

Achieving this balance requires management approaches that enable organizations to introduce change safely and efficiently while maintaining control over operational risks. Practices such as change enablement, automated testing, and continuous monitoring play an essential role in maintaining this balance.

Governance and Decision-Making in Complex Environments

As digital ecosystems expand, governance becomes increasingly important. Organizations must establish clear decision-making structures that ensure technology initiatives remain aligned with strategic objectives while complying with regulatory and security requirements.

Effective governance helps organizations in the following ways:

- Align digital investments with business priorities.
- Manage risks associated with technological change.
- Ensure compliance with regulatory obligations.
- Maintain accountability across complex organizational structures.

Modern service management frameworks emphasize the integration of governance mechanisms with operational practices, ensuring that innovation and control coexist within a unified management structure.

Preparing Organizations for Sustainable Digital Operations

The complexity of modern digital environments requires organizations to develop capabilities that support long-term sustainability and resilience. These capabilities include strong governance structures, collaborative organizational cultures, adaptive management practices, and technologies that support automation and intelligent operations.

Organizations that successfully manage complexity are better positioned to respond to disruptions, adapt to evolving market conditions, and deliver consistent value to customers and stakeholders.

Ultimately, managing complexity is not about eliminating uncertainty or reducing technological diversity. Instead, it involves creating management systems that allow organizations to navigate complexity effectively while maintaining focus on value creation.

Linking Complexity Management to Value Creation

The ability to manage complexity effectively sets the stage for the next key concept in modern service management: value co-creation. In complex digital ecosystems, value emerges through collaboration between service providers, consumers, partners, and technology platforms.

Understanding how organizations create value within these ecosystems is therefore essential for understanding the broader management philosophy introduced in ITIL Version 5.

The next section will explore this concept in greater detail by examining how organizations move from delivering services to co-creating value with customers and stakeholders.

Value Co-Creation and Outcome Orientation

Long ago, one of the most significant conceptual shifts in modern service management was the recognition that value is not delivered by organizations in isolation but is co-created through interactions between multiple stakeholders. Traditional service management models often assumed that service providers produced value and delivered it to customers. However, contemporary management frameworks recognize that value emerges through collaboration among service providers, consumers, partners, and technology ecosystems.

This perspective reflects the realities of modern digital environments, where services are rarely consumed passively. Instead, customers actively interact with digital products and services, influencing how value is realized. As a result, service management must focus not only on delivering services but also on enabling meaningful outcomes for users and stakeholders.

Understanding Value in Modern Service Management

Value is a fundamental concept in service management, yet it is often misunderstood. In a traditional operational context, value was frequently measured through internal metrics such as system uptime, processing capacity, or response time. While these indicators remain important, they do not fully capture the broader benefits that customers expect from digital services.

In modern service management, value is continuing to be defined in terms of the benefits, usefulness, and importance that stakeholders perceive from a service or product. These perceptions depend on how effectively a service enables users to achieve their desired outcomes.

For example, a cloud-based collaboration platform provides value not merely because it is available or technically functional, but because it enables teams to work together efficiently, share information seamlessly,

and improve organizational productivity. The true value of the service is therefore realized through the outcomes it enables rather than the technology it delivers.

The Concept of Value Co-Creation

Value co-creation recognizes that both service providers and service consumers contribute to the value creation. Providers design and deliver the service capabilities, while consumers apply those capabilities within their own contexts to achieve the desired outcomes.

In many cases, additional participants—such as partners, suppliers, and platform providers—also contribute to the overall value ecosystem. This collaborative environment means that value emerges through interactions within a service relationship rather than through a one-way delivery process.

For example, a digital healthcare platform may involve several participants, including:

- The technology provider who develops and maintains the platform.
- Healthcare professionals who use the system to deliver care.
- Patients who interact with the platform to access services.
- Data providers and infrastructure partners who support system operations.

Each participant contributes resources and capabilities that collectively create value for all stakeholders involved.

Outputs versus Outcomes

A key distinction in modern service management is the difference between outputs and outcomes.

Outputs refer to the tangible deliverables produced by a service provider. These may include software applications, reports, data processing capabilities, or infrastructure services.

Outcomes, on the other hand, represent the results that stakeholders achieve by using those outputs. Outcomes are typically associated with business improvements, operational efficiencies, or enhanced customer experiences.

The following table lists a few examples:

Output	Outcome
Deployment of a cloud-based CRM system	Improved customer engagement and sales effectiveness
Implementation of a cybersecurity platform	Reduced risk of data breaches
Introduction of an automated service desk portal	Faster resolution of user requests

Table 1.1: *Examples of Output and Outcome*

Focusing on outcomes encourages organizations to align their services with real business objectives rather than purely technical deliverables.

Utility and Warranty in Value Creation

Another important concept in service management is the distinction between utility and warranty, which determines how value is perceived by service consumers.

Utility refers to the functionality offered by a service—essentially what the service does. It represents the capability that enables users to achieve specific objectives.

Warranty, in contrast, refers to how the service performs. It addresses characteristics such as continuity, availability, capacity, and security that ensure the service can be used effectively.

A service must deliver both utility and warranty to create meaningful value. For example, an online banking system may offer the utility of enabling financial transactions, but if the platform frequently experiences downtime or performance issues, the overall value of the service diminishes.

Effective service management, therefore, ensures that both functional capability and operational reliability are addressed.

Stakeholders in the Value Creation Process

Value co-creation involves multiple stakeholders who interact within a service relationship. These stakeholders typically include:

- **Service Providers:** Organizations or teams responsible for delivering the service capabilities.

- **Service Consumers:** Individuals or organizations that use the service to achieve the desired outcomes.
- **Partners and Suppliers:** External entities that contribute resources, technology, or expertise required for service delivery.
- **Users and Customers:** Users interact directly with the service, while customers define service requirements and ensure that the service meets business objectives.

Understanding the roles and expectations of these stakeholders is essential for designing services that support effective value creation.

Service Relationships and Collaboration

Service relationships form the foundation for value co-creation. These relationships involve ongoing interactions between providers and consumers, including service provision, service consumption, and continual feedback.

In modern digital environments, these interactions often occur through digital platforms that enable continuous communication and collaboration. Feedback from users can be captured through analytics, customer experience monitoring, and direct engagement channels.

By incorporating this feedback into service design and improvement activities, organizations can ensure that services evolve to meet the stakeholder needs.

Outcome-Driven Management

Outcome orientation is a management approach that prioritizes the results achieved by services rather than the activities performed to deliver them. Instead of focusing solely on operational processes, organizations evaluate how effectively services enable stakeholders to achieve their goals.

Outcome-driven management encourages organizations to conduct the following tasks:

- Align services with business objectives.
- Measure performance based on customer value.
- Prioritize initiatives that improve user experience.

- Continuously refine services based on feedback and analytics.

This perspective helps organizations to maintain a clear connection between technology investments and the business outcomes they support.

Measuring Value in Digital Environments

Measuring value in modern service environments requires organizations to consider both technical and experiential indicators. While operational metrics such as service availability and incident response times remain important, they must be complemented by measures that reflect stakeholder perceptions and business outcomes.

Examples of such metrics include:

- Customer satisfaction scores
- User experience ratings
- Service adoption levels
- Business productivity improvements
- Digital engagement metrics

These measures provide a more comprehensive view of how services contribute to organizational success.

Value Co-Creation in Digital Ecosystems

In complex digital ecosystems, value is often generated through collaboration between multiple organizations. Cloud platforms, digital marketplaces, and integrated service environments illustrate how different participants contribute capabilities that collectively deliver value.

For instance, a digital commerce platform may rely on payment processors, logistics providers, marketing partners, and cloud infrastructure services. Each participant contributes to the overall customer experience, making value creation a shared responsibility across the ecosystem.

Service management frameworks must therefore support coordination across these participants to ensure that value flows effectively through the ecosystem.

Preparing for the Next Stage of Modern Service Management

The concepts of value co-creation and outcome orientation represent fundamental principles of modern service management. They shift the focus from delivering isolated services toward enabling meaningful outcomes within collaborative digital ecosystems.

These principles provide the foundation for the next topic explored in this chapter: the expanding role of governance and sustainability in modern service management. As organizations operate within increasingly complex and interconnected environments, governance mechanisms and responsible management practices become essential for ensuring long-term value creation and trust.

Understanding these governance considerations is therefore critical for appreciating the broader transformation introduced in ITIL Version 5, where service management is closely integrated with strategic oversight, organizational accountability, and sustainable digital operations.

The Expanding Role of Governance and Sustainability

As organizations increasingly rely on digital technologies to drive innovation and value creation, the importance of governance and sustainability in service management has grown significantly. Modern digital ecosystems operate at a scale and complexity that require clear decision-making structures, accountability mechanisms, and responsible management practices.

In earlier generations of IT service management, governance was often treated as a separate activity performed primarily by senior management or compliance teams. However, in contemporary digital environments, governance must be integrated directly into the operational and strategic processes that guide service delivery. This integration ensures that organizations can innovate rapidly while maintaining oversight, managing risks, and aligning technology initiatives with long-term business objectives.

Sustainability has also emerged as a key consideration in modern service management. Organizations are increasingly expected to operate responsibly by minimizing environmental impact, supporting ethical practices, and maintaining long-term resilience in their digital operations.

Understanding Governance in Service Management

Governance refers to the structures and processes used to ensure that organizational activities are aligned with strategic objectives and conducted responsibly. Within the context of service management, governance establishes the policies, decision-making frameworks, and oversight mechanisms that guide how digital products and services are designed, delivered, and improved.

Effective governance ensures that service management activities:

- Align with organizational strategy,
- Comply with regulatory and legal requirements,
- Manage operational and technological risks,
- Maintain transparency and accountability, and
- Support consistent decision-making across the organization.

Governance also defines the roles and responsibilities of various stakeholders involved in service delivery, ensuring that authority and accountability are clearly established.

Governance as a Strategic Capability

In modern digital enterprises, governance is no longer limited to compliance or risk control. Instead, it functions as a strategic capability that enables organizations to make informed decisions about technology investments, innovation initiatives, and digital transformation programs.

For example, organizations must determine how to prioritize technology initiatives, allocate resources, manage vendor relationships, and ensure that digital platforms remain secure and resilient. Governance frameworks provide the structure needed to make these decisions effectively.

Thus, by establishing clear governance structures, organizations can ensure that technology initiatives contribute to broader business goals while minimizing unintended risks.

Integrating Governance with Service Management

Modern service management frameworks emphasize the integration of governance with operational practices. Rather than treating governance as an external control mechanism, organizations are encouraged to embed governance principles directly into their management systems.

This integration allows governance to support innovation rather than restrict it. For example, governance structures can help organizations to evaluate the potential benefits and risks of adopting emerging technologies such as AI or cloud computing.

When governance is embedded within service management practices, organizations can achieve a balance between innovation, control, and accountability.

Risk Management in Digital Environments

The growing reliance on digital technologies introduces new forms of risk that organizations must manage effectively. Cybersecurity threats, data privacy concerns, operational disruptions, and regulatory compliance requirements represent significant challenges for modern enterprises.

Service management frameworks, therefore, incorporate risk management practices that allow organizations to identify, assess, and mitigate potential threats. Effective risk management enables organizations to maintain service reliability while protecting sensitive data and critical infrastructure.

Risk management also plays a crucial role in ensuring that digital services remain trustworthy and resilient, particularly in environments where services are delivered across complex global ecosystems.

The Growing Importance of Sustainability

Alongside governance, sustainability as part of the experience has become an essential consideration for organizations operating in the digital economy. Sustainability in service management involves ensuring that digital operations remain viable, responsible, and environmentally conscious over the long term.

Several factors contribute to the increasing importance of sustainability, such as:

- Rising energy consumption associated with large-scale data centers.
- Environmental impact of electronic waste and hardware lifecycle management.
- Social expectations for responsible corporate behavior.
- Regulatory initiatives promoting environmental responsibility.

Organizations must therefore consider how their digital operations affect not only business performance but also the broader environmental and social context in which they operate.

Sustainable Digital Operations

Sustainable service management involves adopting practices that minimize environmental impact while maintaining efficient and reliable digital operations. This may include initiatives such as optimizing energy usage in data centers, adopting energy-efficient technologies, and extending the lifecycle of digital infrastructure.

Cloud computing providers, for example, often invest heavily in energy-efficient data centers and renewable energy sources to reduce the environmental impact of large-scale computing operations.

In addition to environmental considerations, sustainability also includes operational resilience and long-term viability. Digital services must be designed to remain reliable, adaptable, and secure over time, ensuring that organizations can continue delivering value even as technology and market conditions evolve.

Governance, Trust, and Digital Responsibility

As digital technologies become more integrated into everyday life, organizations must also address issues related to trust and digital responsibility. Customers, regulators, and stakeholders expect organizations to manage data responsibly, protect privacy, and ensure that technology is used ethically.

Governance frameworks play a key role in establishing policies and oversight mechanisms that promote responsible digital practices. This includes ensuring transparency in data usage, implementing strong cybersecurity protections, and maintaining accountability for technology decisions.

In emerging areas such as AI, governance becomes particularly important. Organizations must ensure that AI systems are designed and deployed responsibly, avoiding bias, protecting privacy, and maintaining human oversight where necessary.

Aligning Governance with Value Creation

Effective governance does not merely enforce compliance; it also supports value creation by ensuring that organizational resources are used effectively. Governance structures prioritize initiatives that deliver the greatest benefits while avoiding investments that may create unnecessary risk or complexity.

When governance and service management operate together, organizations can align their technology strategies with broader business objectives. This alignment ensures that digital initiatives contribute to sustainable growth and long-term organizational success.

Preparing for Intelligent and Autonomous Service Management

As organizations adopt advanced technologies such as AI and intelligent automation, governance frameworks will become even more important. These technologies introduce new opportunities for efficiency and innovation, but they also raise new questions regarding accountability, transparency, and ethical decision-making.

Modern service management frameworks recognize that governance must evolve alongside technological innovation. Organizations must establish policies and oversight mechanisms that ensure emerging technologies are used responsibly while still enabling innovation.

Linking Governance and Sustainability to Future Service Management

The expanding role of governance and sustainability highlights the broader transformation taking place in modern service management. Organizations must now balance technological innovation with responsible management practices that protect stakeholders, support long-term resilience, and maintain trust within digital ecosystems.

These considerations lead naturally to the next topic in this chapter: the emergence of AI-enabled service management. As AI becomes increasingly integrated into digital operations, it will play a transformative role in how organizations manage services, automate processes, and deliver value.

Understanding the implications of AI-enabled service management is, therefore, essential for appreciating the broader strategic shift introduced in ITIL Version 5.

The Emergence of AI-Enabled Service Management

The rapid advancement of AI technologies is reshaping how organizations design, operate, and improve digital services. While earlier generations of service management focused on structured processes and human-driven decision-making, modern digital environments increasingly rely on intelligent systems that can analyze data, detect patterns, and automate operational activities.

As digital ecosystems grow in scale and complexity, manually managing services becomes increasingly difficult. AI-enabled capabilities provide organizations with powerful tools for improving operational efficiency, enhancing service reliability, and delivering more personalized digital experiences.

The integration of AI into service management, therefore, represents a significant milestone in the ongoing evolution of IT service management.

From Reactive Operations to Intelligent Operations

Traditional service management practices often relied on reactive operational models. In these models, service teams responded to incidents after disruptions had already occurred. Operational monitoring tools could detect system failures or performance issues, but resolution typically depended on human intervention.

While reactive approaches allow organizations to maintain operational stability, they are not always sufficient for managing large-scale digital environments, in which thousands of systems interact continuously.

AI-enabled service management introduces a more advanced operational model known as intelligent operations. In this model, AI systems analyze operational data in real-time to detect anomalies, identify emerging risks, and recommend or initiate corrective actions before service disruptions occur.

This shift from reactive to proactive and predictive operations enables organizations to reduce downtime, improve reliability, and deliver more consistent digital experiences.

The Role of Data in AI-Driven Service Management

The effectiveness of AI-enabled service management depends heavily on the availability of large volumes of operational data. Modern digital platforms generate extensive data related to system performance, service usage patterns, customer interactions, and infrastructure metrics.

AI systems can analyze this data to identify trends and correlations that may not be immediately visible to human operators. These insights can help organizations to understand how services behave under different conditions and anticipate potential issues before they escalate.

For example, AI-powered analytics can identify patterns indicating that a particular system component is likely to fail within a certain timeframe. Service teams can then take preventive action to replace or repair the component before users experience disruptions.

In this way, data becomes a critical resource for enabling intelligent service management.

AI-Driven Automation in Service Operations

AI also enhances the capabilities of automation technologies. While traditional automation focuses on executing predefined tasks, AI-enabled automation can adapt to changing conditions and make informed decisions based on real-time information.

Within service management environments, AI-driven automation can support a variety of operational activities, including:

- Automated incident classification and routing
- Predictive incident detection
- Automated root cause analysis
- Intelligent capacity planning
- Automated infrastructure remediation
- Virtual service desk assistants

These capabilities allow organizations to handle routine operational tasks more efficiently while enabling service professionals to focus on more complex and strategic activities.

Enhancing the Service Desk with AI

One of the most visible applications of AI in service management is the transformation of the service desk. Traditional service desks relied heavily on human agents to respond to user inquiries, categorize incidents, and provide troubleshooting support.

AI technologies now enable the introduction of intelligent virtual assistants and chatbots that can interact with users in natural language. These systems

can handle routine service requests, provide knowledge-based support, and guide users through troubleshooting steps.

For example, a virtual assistant may help a user reset a password, troubleshoot connectivity issues, or locate relevant knowledge articles without requiring human intervention.

By automating routine interactions, AI-enabled service desks can significantly reduce response times, while improving overall user satisfaction.

Predictive and Self-Healing Infrastructure

Another important capability enabled by AI is the development of predictive and self-healing infrastructure systems. These systems continuously monitor the health of digital environments and automatically initiate corrective actions when anomalies are detected.

For example, if an AI system detects unusual performance patterns in a server cluster, it may automatically redistribute workloads, restart affected components, or provision additional resources to maintain service availability.

This ability to perform automated remediation maintains operational continuity while reducing the burden on human operations teams.

Improving Decision-Making through AI Insights

AI systems also support better decision-making by providing service managers with actionable insights derived from operational data. Advanced analytics platforms can generate dashboards, predictive forecasts, and scenario simulations that allow leaders to understand the impact of different operational decisions.

For instance, AI models may analyze historical service performance data to predict how changes in user demand could affect system capacity. This insight enables organizations to plan infrastructure upgrades or resource allocations more effectively.

Thus, by augmenting human decision-making with data-driven insights, AI enables organizations to manage services more strategically and proactively.

Governance Considerations for AI-Enabled Operations

While AI technologies offer significant benefits, they also introduce new governance considerations. Organizations must ensure that AI systems operate transparently, responsibly, and in alignment with organizational policies and regulatory requirements.

The key governance considerations include:

- Ensuring the reliability and accuracy of AI models.
- Maintaining transparency in automated decision-making processes.
- Protecting sensitive data used in AI analytics.
- Preventing unintended bias in AI-driven systems.
- Maintaining human oversight wherever necessary.

These governance practices ensure that AI-enabled service management remains trustworthy and accountable.

The Human Role in AI-Enabled Service Management

Despite the growing capabilities of AI, human expertise remains essential in modern service management. AI systems can analyze data and automate tasks, but they rely on human professionals to interpret insights, define strategies, and make complex decisions.

Service management professionals, therefore, play an important role in designing AI-enabled systems, monitoring their performance, and ensuring that they align with organizational objectives.

Rather than replacing human expertise, AI technologies are best understood as augmenting human capabilities, allowing service professionals to focus on higher-value activities such as innovation, strategic planning, and customer engagement.

Preparing Organizations for Intelligent Service Management

As AI technologies continue to mature, organizations will increasingly adopt intelligent service management models that combine automation, analytics, and human expertise. These models will enable organizations to operate digital ecosystems that are more resilient, adaptive, and responsive to the changing conditions.

Modern service management frameworks acknowledge this transformation and encourage organizations to integrate intelligent technologies into their operational environments while maintaining strong governance and accountability.

Toward the Next Generation of Service Management

The emergence of AI-enabled service management represents a major step in the evolution of IT service management. By leveraging intelligent technologies, organizations can move toward operational models that are predictive, automated, and continuously improving.

This transformation provides the foundation for the final topic explored in this chapter: Why does ITIL Version 5 represent a strategic shift in service management? The next section will examine how the principles introduced throughout this chapter come together to form a comprehensive framework for managing digital products and services in modern digital ecosystems.

ITIL Version 5 Represents a Strategic Shift

The evolution of IT service management over the past several decades reflects the broader transformation of technology within modern organizations. What began as a discipline focused on maintaining infrastructure and supporting internal operations has gradually evolved into a strategic capability that enables organizations to create value through digital products and services.

This transformation has been driven by several interconnected trends explored throughout this chapter. The rise of the digital economy, the growing importance of customer experience, the adoption of cloud computing and DevOps practices, the emergence of intelligent automation

and AI, and the increasing complexity of digital ecosystems have reshaped the environment in which organizations operate.

In response to these changes, service management frameworks need to evolve in order to remain relevant. ITIL Version 5 represents a significant step in this evolution, providing a management framework designed specifically for organizations operating in modern digital environments.

Moving beyond Traditional IT Service Management

Earlier versions of ITIL (such as V2 and V3) were primarily designed to manage IT services in stable infrastructure environments. These frameworks focused on establishing standardized processes that improved service reliability, operational efficiency, and incident resolution.

While these practices remain important, the scope of service management has expanded considerably. Technology is no longer simply a support function within organizations; it is now deeply embedded in business strategy, customer engagement, and product innovation.

Modern organizations, therefore, require management approaches that extend beyond traditional IT service management. Instead of focusing solely on operational processes, service management must now support the end-to-end lifecycle of digital products and services, enabling organizations to innovate while maintaining operational resilience.

Embracing DPSM

One of the defining characteristics of ITIL Version 5 is its emphasis on DPSM. This concept reflects the recognition that modern digital offerings often combine elements of both products and services.

For example, a mobile banking platform, a cloud-based collaboration tool, or a digital marketplace cannot be understood purely as a service or a product. These offerings evolve continuously through iterative improvements, user feedback, and technological innovation.

Managing such offerings requires organizations to adopt lifecycle-oriented approaches that integrate product design, development, deployment, operation, and continual improvement.

Therefore, by introducing the concept of DPSM, ITIL Version 5 provides a framework that helps organizations manage digital offerings throughout their entire lifecycle while maintaining alignment with business objectives and customer expectations.

Integrating Value Streams and Lifecycle Thinking

Another important shift reflected in ITIL Version 5 is the increased emphasis on value streams and lifecycle integration. Modern digital environments involve complex workflows that span multiple teams, technologies, and organizational boundaries.

Value stream thinking encourages organizations to examine how value flows through these interconnected activities, from the initial identification of customer needs to the delivery of digital capabilities that enable the desired outcomes.

Lifecycle thinking complements this perspective by recognizing that digital products and services evolve continuously rather than progressing through rigid stages. Activities such as discovery, design, development, deployment, operation, and improvement are interconnected and often occur simultaneously.

By integrating value streams with lifecycle management, ITIL Version 5 provides organizations with tools to coordinate complex activities and maintain alignment between strategy, operations, and customer value.

Supporting Modern Ways of Working

The introduction of ITIL Version 5 also reflects the widespread adoption of modern development and operational practices such as Agile, DevOps, and continuous delivery. These approaches emphasize collaboration, iterative development, and rapid feedback cycles.

Traditional service management models sometimes struggled to support these dynamic working methods. ITIL Version 5 addresses this challenge by promoting flexible management approaches that encourage collaboration across organizational boundaries.

Thus, by supporting modern ways of working, ITIL Version 5 allows organizations to deliver digital capabilities more quickly while maintaining

reliability, governance, and service quality.

Leveraging Intelligent Technologies

The increasing use of AI and automation technologies is another factor that has influenced the evolution of service management frameworks. As digital environments generate vast amounts of operational data, organizations can leverage intelligent systems to improve monitoring, automate routine activities, and support predictive decision-making.

ITIL Version 5 recognizes the importance of these capabilities and encourages organizations to integrate intelligent technologies into their service management environments. This integration enables organizations to move toward operational models that are more proactive, adaptive, and data-driven.

By combining human expertise with intelligent automation, organizations can improve both efficiency and service quality while continuing to innovate.

Strengthening Governance and Sustainability

Modern organizations must also address broader considerations related to governance, risk management, and sustainability. Digital services operate within complex regulatory environments and must meet expectations related to data protection, cybersecurity, environmental responsibility, and ethical technology usage.

ITIL Version 5 incorporates these considerations by emphasizing governance structures that align digital initiatives with organizational strategy while ensuring accountability and responsible management practices.

This governance perspective ensures that innovation and operational agility are balanced with oversight, transparency, and long-term sustainability.

Enabling Value in Complex Digital Ecosystems

Perhaps the most significant shift represented by ITIL Version 5 is the recognition that organizations no longer operate in isolation. Modern digital

services are delivered through interconnected ecosystems that include technology providers, partners, suppliers, and users.

Within these ecosystems, value is created through collaboration and interaction among multiple participants. Service management frameworks must therefore support coordination across these relationships while ensuring that value flows effectively through the ecosystem.

By emphasizing value co-creation, stakeholder collaboration, and ecosystem thinking, ITIL Version 5 reflects the realities of modern digital organizations.

Preparing Organizations for the Future

The introduction of ITIL Version 5 marks an important milestone in the ongoing evolution of service management. By expanding the scope of service management to include digital product lifecycle management, value stream coordination, intelligent automation, and ecosystem collaboration, the framework provides organizations with the tools needed to navigate the complexities of modern digital environments.

This strategic shift ensures that service management remains relevant in an era defined by rapid technological innovation and evolving customer expectations.

Understanding why ITIL Version 5 represents a strategic shift provides the conceptual foundation for the rest of this book. The chapters that follow explore the key concepts, structures, and practices that make up the ITIL Version 5 framework.

The next chapter will introduce the fundamental concepts of ITIL, including digital products and services, value creation, service relationships, and the core terminology required to understand how modern service management operates in complex digital ecosystems.

Together, these concepts form the foundation for applying ITIL Version 5 principles effectively in real-world organizational environments.

Conclusion

The evolution of IT service management reflects the transformation of technology from infrastructure support to a strategic capability that enables

digital value creation. This chapter examined the shift from service-centric to digital product-centric thinking, the rise of the digital and experience economy, and the impact of technologies such as cloud, DevOps, automation, and AI. These developments highlight why ITIL Version 5 represents a strategic shift, emphasizing DPSM, value streams, governance, and intelligent service operations.

The next chapter will build upon this foundation by introducing the key concepts of ITIL, which provide the terminology and principles required to understand how modern service management frameworks operate within complex digital ecosystems.

Multiple Choice Questions

1. Which of the following best describes the shift introduced by modern service management frameworks?
    a. From infrastructure management to network optimization
    b. From service delivery to value co-creation
    c. From manual operations to hardware virtualization
    d. From customer experience to operational metrics
2. In modern service management, value is primarily created through:
    a. Technology ownership
    b. Infrastructure availability
    c. Collaboration between providers and consumers
    d. Hardware performance
3. Which technological innovation allows organizations to provision computing resources on demand through internet-based platforms?
    a. DevOps
    b. Cloud computing
    c. Artificial intelligence (AI)
    d. Blockchain
4. What is the main objective of value stream thinking in service management?

a. Reducing infrastructure costs
b. Understanding how value flows through activities that deliver services
c. Managing hardware capacity
d. Monitoring system uptime

5. Which concept refers to the functionality offered by a service that enables users to achieve their objectives?

a. Warranty
b. Utility
c. Governance
d. Automation

Answers

1. b
2. c
3. b
4. b
5. b

Questions

1. Explain the historical evolution of IT service management and how it has adapted to changing technological environments.
2. Discuss the differences between service-centric thinking and digital product-centric thinking.
3. Describe the characteristics of the digital and experience economy and their impact on service management.
4. Explain how cloud computing has transformed modern service delivery models.
5. Discuss the role of DevOps practices in enabling faster and more reliable service delivery.

6. Explain how automation contributes to improving operational efficiency in service management.
7. Describe the role of Artificial Intelligence (AI) in enabling predictive and proactive service operations.
8. Discuss the challenges organizations face when managing complex digital ecosystems.
9. Explain the concept of value co-creation and its importance in modern service relationships.
10. Discuss why ITIL Version 5 represents a strategic shift in the evolution of service management.

Key Terms

- **Artificial Intelligence (AI):** Technologies that enable machines to analyze data, learn patterns, and perform tasks that typically require human intelligence.
- **Automation:** The use of technology to perform tasks with minimal human intervention, improving efficiency and consistency.
- **Cloud Computing:** A model that provides on-demand access to computing resources such as servers, storage, and applications through internet-based platforms.
- **Digital Economy:** An economic environment in which digital technologies and platforms play a central role in value creation and service delivery.
- **Digital Product:** A technology-enabled offering that delivers value through digital capabilities and evolves continuously throughout its lifecycle.
- **Digital Service:** A means of enabling value co-creation by facilitating outcomes that customers want to achieve.
- **Digital Product and Service Management (DPSM):** An integrated approach that combines product management and service management practices to manage digital offerings throughout their lifecycle.
- **DevOps:** A collaborative approach that integrates software development and IT operations to enable faster and more reliable

delivery of digital services.

- **Experience Economy:** An economic model in which organizations compete primarily through the quality and personalization of customer experiences.
- **Outcome:** The result achieved by a service consumer through the use of a service.
- **Output:** A tangible deliverable produced by a service provider.
- **Value Co-Creation:** The collaborative process through which providers, consumers, and partners work together to generate value.
- **Utility:** The functionality offered by a service that enables users to achieve the desired outcomes.
- **Warranty:** The assurance that a service will meet agreed levels of availability, capacity, security, and continuity.
- **Governance:** The structures and processes used to ensure that organizational activities align with strategic objectives and operate responsibly.

CHAPTER 2

Introduction to Key Concepts of ITIL

Introduction

This chapter will introduce the foundational concepts that underpin the Information Technology Infrastructure Library (ITIL) Version 5 and Digital Product and Service Management (DPSM). It will explain the key terminology and principles, and how they collectively support value creation in modern digital environments. The chapter clarifies concepts such as digital products, digital services, value, outcomes, outputs, costs, and risks, highlighting how organizations co-create value with stakeholders. It also introduces utility, warranty, sustainability, and User Experience (UX), emphasizing that service management extends beyond technical performance to include trust and long-term impact. Additionally, it explains service relationships, stakeholder roles, and the service journey, providing the conceptual foundation for understanding the ITIL Value System, value streams, and lifecycle management in later chapters.

Structure

In this chapter, we will cover the following topics:

- Digital Product and Service Management (DPSM) Fundamentals
- Definition of Product, Service, Digital Product, and Digital Service
- Value, Value Co-Creation, and the Service Economy
- Outputs versus Outcomes
- Costs and Risks in Service Relationships
- Utility, Warranty, and Sustainability
- User Experience (UX) and Customer Experience (CX)
- Service Relationships and Stakeholder Roles
- Types of Service Relationships

- The Service Journey Concept
- Service Quality and Service Level Agreements (SLAs)

Digital Product and Service Management (DPSM) Fundamentals

DPSM is the modern evolution of Information Technology (IT) service management, reflecting how organizations create and deliver value in today's digital economy. Traditionally, IT departments focused on managing infrastructure and supporting business services. However, as organizations increasingly rely on digital platforms to interact with customers and partners, the management focus has expanded beyond operational services to the end-to-end lifecycle of digital products and services.

Digital products and services combine technology, data, processes, and UX to deliver value. Examples include mobile banking applications, digital commerce platforms, cloud-based collaboration tools, and intelligent customer support systems. Unlike traditional IT services that were often static and internally focused, digital products and services evolve continuously through feedback, analytics, and iterative improvements.

A key characteristic of DPSM is its lifecycle orientation. Organizations must manage digital offerings from initial concept and design through development, deployment, operation, and continual improvement. This lifecycle approach ensures that digital products remain aligned with changing customer expectations, business goals, and technological innovations.

In ITIL 4, service management emphasized the concept of value co-creation through services within the Service Value System (SVS). Services were defined as a means of enabling value by facilitating outcomes that customers want to achieve. While this principle remains valid, the new version of ITIL extends the perspective by recognizing that modern digital offerings often combine elements of both products and services. As a result, the framework introduces the broader concept of DPSM, which integrates product management practices with traditional service management capabilities.

Another important difference from ITIL 4 is the stronger emphasis on continuous innovation and product lifecycle thinking. In ITIL 4, value streams and practices supported service delivery and improvement. In the

newer model, these elements operate within a more explicit lifecycle structure that connects strategy, development, operations, and Customer Experience (CX) management.

DPSM, therefore, provides a holistic approach for managing digital capabilities. By integrating product thinking, service management practices, and lifecycle coordination, organizations can deliver digital offerings that are adaptive, customer-focused, and continuously improving, enabling sustained value creation in modern digital ecosystems.

Definition of Product, Service, Digital Product, and Digital Service

Understanding the concepts of "product," "service," "digital product," and "digital service" is fundamental to modern service management. As organizations increasingly operate in digital ecosystems, these terms define how value is created, delivered, and experienced by customers and stakeholders. The latest version of ITIL expands these definitions to reflect the realities of digital platforms and product-oriented management models.

Product

A product is a configuration of resources designed to offer value to a specific group of consumers. These resources may include technology, processes, data, people, and supporting capabilities that together deliver a particular set of functions or benefits. Products are typically designed with a lifecycle perspective, beginning with market or organizational demand, followed by design, development, deployment, and continual improvement.

In traditional industries, products were often physical items such as devices or equipment. In modern digital environments, products may also include software platforms, digital applications, or integrated technology solutions. Product thinking emphasizes continuous enhancement based on user feedback, evolving customer needs, and changing market conditions.

In ITIL 4, the concept of products was introduced as part of the broader service offering model, in which products are defined as the resources and configurations that enable service delivery. The new ITIL version builds on this idea by placing stronger emphasis on product lifecycle management and

continuous innovation, recognizing that many modern services are delivered through evolving digital products.

Service

A service is a means of enabling value co-creation by facilitating outcomes that customers want to achieve without the customer having to manage specific costs and risks. Services allow consumers to achieve their objectives while relying on the provider to manage the underlying resources and operational complexities.

For example, an organization using a cloud-based collaboration platform benefits from the service without needing to manage infrastructure, security patches, or system maintenance. The service provider handles these responsibilities, allowing users to focus on achieving their desired outcomes.

This definition remains largely consistent with ITIL 4, in which services are described as mechanisms that enable value co-creation through interactions between providers and consumers. The emphasis on value co-creation remains central in the newer version as well, reinforcing the collaborative nature of modern service relationships.

Digital Product

A digital product is a technology-enabled product designed to deliver value through digital capabilities and platforms. Digital products typically combine software, data, interfaces, and operational components to provide a continuously evolving digital experience.

Examples of digital products include mobile banking applications, e-commerce platforms, digital media streaming services, and enterprise productivity tools. These products are often delivered through online platforms and updated frequently to introduce new features, improve usability, and enhance performance.

Digital products differ from traditional products as they are highly iterative and continuously evolving. Updates can be deployed rapidly, often through automated pipelines and continuous delivery practices. Product teams monitor user behavior, analyze performance metrics, and incorporate feedback to refine the product over time.

While ITIL 4 acknowledged the role of digital products within service offerings, the newer ITIL version places greater emphasis on DPSM. This perspective recognizes that many modern services are delivered through digital platforms that behave more like products than traditional IT services.

Digital Service

A digital service is a service delivered primarily through digital technologies that enable users or organizations to achieve specific outcomes. Digital services often rely on digital products as their underlying platforms, but focus on enabling user outcomes through service interactions.

Examples include online banking services, digital healthcare platforms, cloud-based software services, and digital transportation applications. These services combine digital technologies with operational capabilities such as support, security, and performance management to ensure reliable service delivery.

Digital services typically operate within complex digital ecosystems, where multiple technologies, partners, and service providers collaborate to deliver value. As a result, managing digital services requires strong coordination across product development, operations, governance, and CX management.

Relationship between Products and Services

Products and services are closely interconnected in modern digital environments. A digital service fully or largely relies on digital products. A digital product often forms the technological foundation upon which services are delivered.

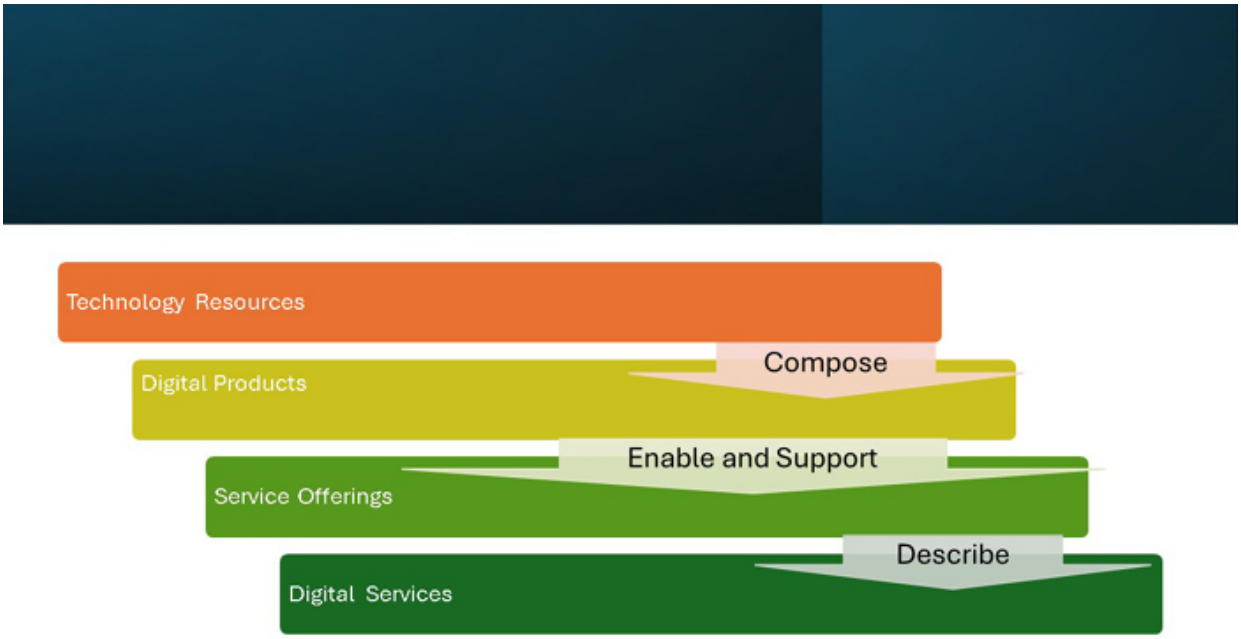

Figure 2.1: *Relationships between Technology Resources, Digital Products, Service Offerings, and Digital Services*

For example, a mobile banking application is a digital product, while the banking capabilities it enables—such as payments, account management, and financial transactions—are delivered as digital services.

In ITIL 4, this relationship was described through service offerings, where products, services, and supporting components collectively enabled value creation. The newer ITIL framework expands this concept by emphasizing lifecycle management of digital products and services together, rather than treating them as separate operational elements.

Importance in Modern Service Management

Recognizing the distinctions between products, services, digital products, and digital services allows organizations to manage technology-enabled offerings effectively. Modern organizations must design digital products that deliver reliable services while continuously evolving to meet changing customer expectations.

By integrating product thinking, service management practices, and lifecycle coordination, organizations can ensure that digital offerings remain adaptable, user-centered, and aligned with strategic objectives.

This integrated perspective forms the foundation for DPSM, which plays a central role in modern service management frameworks and prepares organizations to operate effectively within dynamic digital ecosystems.

Value, Value Co-Creation, and the Service Economy

One of the most important concepts in modern service management is value. Organizations invest in technology, processes, and resources not merely to operate systems but also to create value for customers, users, and stakeholders. In the context of ITIL Version 5, understanding value and how it is created through services and digital products is essential for managing technology-enabled organizations effectively.

Understanding Value

Value refers to the perceived benefits, usefulness, and importance of something to stakeholders. Value is not defined solely by the service provider; rather, it is determined by how the service or product helps consumers achieve their desired outcomes.

For example, a digital collaboration platform may provide tools for communication and file sharing. However, the real value is realized when teams use the platform to collaborate effectively, improve productivity, and achieve business objectives. This demonstrates an important principle: Value is contextual and perception-based.

In ITIL 4, value was defined in a similar way, emphasizing that services enable value by facilitating outcomes that customers want to achieve without managing certain costs and risks. ITIL Version 5 builds upon this foundation, yet extends the concept further by recognizing that value is increasingly delivered through integrated digital products and services operating within complex ecosystems.

The Concept of Value Co-Creation

Traditional management models often assumed that organizations create value internally and deliver it to customers. Modern service management frameworks challenge this assumption by recognizing that value is co-

created through interactions between service providers, consumers, partners, and supporting technologies.

Value co-creation occurs when multiple stakeholders contribute resources and capabilities to achieve desired outcomes. The service provider supplies technology, expertise, and operational support, while the consumer actively participates by using the service effectively within their own context.

For instance, a cloud-based project management platform provides tools for task tracking and collaboration. The service provider delivers the platform, ensures availability, and maintains performance. However, value emerges only when users adopt the platform, organize their workflows, and integrate it into their daily operations.

In ITIL 4, value co-creation was introduced as a central principle within the SVS. The SVS illustrated how various organizational components interact to facilitate value creation. ITIL Version 5 emphasizes value co-creation but expands the perspective to include digital ecosystems, in which value may be created collaboratively across multiple organizations and platforms.

Stakeholders in Value Co-Creation

Value co-creation involves multiple stakeholders who participate in service relationships. These stakeholders typically include:

- **Service Providers** : Organizations or teams responsible for delivering digital products and services.
- **Service Consumers** : Individuals or organizations that use the services to achieve the desired outcomes.
- **Partners and Suppliers** : External entities that contribute technology, expertise, or infrastructure required for service delivery.
- **Digital Product Vendor** : A digital product vendor is an organization responsible for the creation and continual improvement of digital products and related service offerings.
- **Users, Customers, and Sponsors** : Different roles within service consumption. Users interact directly with services, customers define service requirements, and sponsors provide resources and strategic support.

Understanding these roles helps organizations design services that align with stakeholder expectations and support effective collaboration.

The Emergence of the Service Economy

The concept of value co-creation is closely linked to the broader shift toward a service economy. In a service economy, organizations compete not only by offering products but also by delivering services that enable customers to achieve meaningful outcomes.

Historically, economic activity was largely product-oriented, with businesses focusing on manufacturing and distributing physical goods. Over time, services such as consulting, financial management, telecommunications, and IT operations became increasingly important.

In the digital era, services have become the primary mechanism through which value is delivered. Digital platforms, cloud services, software applications, and data-driven solutions enable organizations to provide services that operate continuously and evolve rapidly.

In ITIL 4, the service economy was reflected in the emphasis on service relationships and service offerings. The framework highlighted how organizations interact with consumers to facilitate outcomes. ITIL Version 5 builds upon this idea by recognizing that many modern services are delivered through digital products operating within interconnected ecosystems.

Digital Platforms and Ecosystem Value

Modern digital services rarely operate in isolation. Instead, they are often delivered through digital platforms that connect multiple participants, including service providers, developers, suppliers, and consumers.

Examples of such ecosystems include cloud computing platforms, digital payment systems, e-commerce marketplaces, and mobile application ecosystems. Within these environments, value is created collectively through interactions among participants.

For example, a cloud marketplace may allow independent software vendors to offer applications that run on a shared cloud infrastructure. Customers gain access to a wide range of digital solutions, while vendors benefit from

the platform's infrastructure and market reach. The resulting value emerges from collaboration across the ecosystem.

ITIL Version 5 recognizes the importance of these ecosystems and encourages organizations to manage services in ways that support collaboration, interoperability, and shared value creation.

Outcomes, Costs, and Risks

Another important aspect of value in service management involves understanding the relationship between outcomes, costs, and risks. Customers typically seek services that achieve the desired outcomes while minimizing costs and risks.

A service provider may absorb certain operational risks, such as infrastructure maintenance, security management, or system reliability. By transferring these responsibilities to the provider, customers can focus on their core business activities.

This principle was clearly articulated in ITIL 4, where services were defined as mechanisms for enabling value without customers managing specific costs and risks. ITIL Version 5 retains this idea while integrating it more closely with digital product lifecycle management and ecosystem collaboration.

Value Measurement in Modern Organizations

Measuring value in modern service environments requires more than monitoring technical metrics such as uptime or response times. Organizations must also evaluate indicators related to user satisfaction, business outcomes, and CX.

Examples of value-related metrics include customer engagement levels, service adoption rates, productivity improvements, and the overall business impact. These measures allow organizations to understand whether their services truly enable stakeholders to achieve meaningful outcomes.

The Strategic Importance of Value-Focused Service Management

In today's digital economy, organizations must continuously adapt their services to meet evolving customer needs. By focusing on value and value co-creation, service management frameworks ensure that technology investments remain aligned with organizational strategy and customer expectations.

The principles of value, collaboration, and service-based value delivery form a core foundation of ITIL Version 5. These concepts prepare organizations to manage digital products and services effectively within dynamic ecosystems, where innovation, CX, and continuous improvement play central roles in value creation.

Outputs versus Outcomes

Understanding the difference between outputs and outcomes is essential in modern service management. Organizations often produce numerous activities, deliverables, and technical results through their services, but the real measure of success lies in whether those activities achieve meaningful results. Modern service management frameworks, therefore, emphasize outcomes rather than simply focusing on outputs.

Understanding Outputs

An output is a tangible or intangible deliverable produced by a service, process, or activity. Outputs represent what the service provider generates as part of delivering a service. These may include reports, software releases, system availability, resolved incidents, processed transactions, or completed service requests.

Outputs are typically measurable and operational. For example, an IT operations team may measure outputs such as the number of incidents resolved, the deployment of a software update, or the completion of infrastructure provisioning tasks. These outputs demonstrate that certain operational activities have been performed.

However, outputs alone do not necessarily indicate whether the service has delivered real value to the customer.

Understanding Outcomes

An outcome represents the result achieved by a service consumer through the use of a service. Outcomes also have an end-to-end view, which explains the importance of value streams. Outcomes focus on the benefits realized by customers rather than the activities performed by the provider. In other words, outcomes describe how a service helps customers to achieve their goals.

For example, the output of a cloud collaboration platform may include system availability, secure file storage, and communication tools. The outcome, however, is improved teamwork, faster decision-making, and increased organizational productivity.

Outcomes are closely linked to business objectives and UX rather than purely technical deliverables.

Outputs versus Outcomes: A Practical Perspective

To better understand the distinction, consider the example of an online banking platform.

The outputs delivered by the service provider might include:

1. Secure login functionality
2. Account balance display
3. Transaction processing capabilities
4. Mobile application availability

The outcomes experienced by the customer might include:

- The ability to manage personal finances efficiently.
- Faster and more convenient banking transactions.
- Improved financial control and decision-making.

While the outputs represent the platform's functional features, the outcomes reflect the value customers derive from using the service.

The Role of Outputs and Outcomes in Service Design

Service providers must design their services to produce outputs that enable the desired outcomes. This means understanding customer needs, business objectives, and the context in which services are used.

For instance, a healthcare information system may produce outputs such as electronic patient records and automated appointment scheduling. The desired outcomes, however, include improved patient care, faster diagnosis, and better healthcare coordination.

If the outputs fail to support these outcomes effectively, the service may not deliver meaningful value, even if the underlying technology operates correctly.

Relationship to Utility and Warranty

The distinction between outputs and outcomes is closely related to the concepts of utility and warranty, which were introduced in ITIL 4.

- **Utility** refers to the functionality identified via functional requirements offered by a service that meets a particular need.
- **Warranty** refers to the assurance identified via non-functional requirements that the service will meet the agreed levels of continuity, availability, capacity, and security.

In ITIL 4, utility and warranty enable services to deliver value by supporting customer outcomes. Outputs typically relate to the functional capabilities provided by the utility, while outcomes represent the benefits realized by customers when those capabilities are used effectively.

In the newer ITIL version, these concepts remain relevant, but they are increasingly integrated within the broader context of DPSM, where services are supported by guiding principles, for example, progress iteratively with feedback, evolve continuously, and customer outcomes are monitored through feedback and analytics.

Measuring Outputs and Outcomes

Organizations often find it easier to measure outputs because they are operational and technical in nature. Metrics such as system uptime, transaction volumes, incident resolution times, and deployment frequency are commonly used to track outputs.

However, measuring outcomes requires a broader perspective. Outcome-oriented metrics may include:

- Customer satisfaction levels
- Service adoption rates
- Business productivity improvements
- Customer retention and loyalty
- Revenue generated through digital services

These measures provide insight into whether the service is actually helping customers achieve meaningful results.

The Importance of Outcome-Focused Service Management

Modern service management emphasizes outcomes because they represent the true purpose of services. Organizations must ensure that their services contribute directly to business success and customer satisfaction rather than focusing solely on operational activities.

This shift toward outcome-based thinking is particularly important in digital environments, in which services are delivered through complex ecosystems involving multiple technologies and partners.

Outputs and Outcomes in DPSM

In the context of DPSM, outputs and outcomes become even more closely connected. Digital products continuously generate outputs such as software updates, new features, and improved system performance. These outputs are designed to enhance outcomes experienced by users, such as improved productivity, better CX, or more efficient business processes.

As digital products evolve rapidly, organizations must continuously evaluate whether new outputs are improving customer outcomes. This requires strong feedback mechanisms, data analytics, and close collaboration with users.

Connection with ITIL 4

In ITIL 4, the distinction between outputs and outcomes played a critical role in understanding service value. The framework emphasized that services enable outcomes by facilitating value co-creation between providers and consumers.

The newer ITIL version retains this principle but expands it to include product lifecycle thinking, digital ecosystems, and continuous innovation. Rather than viewing outputs as isolated deliverables, organizations are encouraged to evaluate how outputs contribute to long-term outcomes within complex digital environments.

The Value of Making The Distinction

Recognizing the difference between outputs and outcomes allows organizations to design and manage services more effectively. By focusing on outcomes, service providers can ensure that their efforts align with customer goals and business objectives.

This outcome-oriented perspective is central to modern service management and reinforces the broader objective of ITIL: enabling organizations to deliver meaningful value through well-managed digital products and services.

Costs and Risks in Service Relationships

In modern service management, the relationship between service providers and service consumers involves more than simply delivering technology capabilities. Services exist to achieve the desired outcomes while reducing the burden of managing underlying resources, costs, and risks. Understanding how costs and risks are shared and managed within service relationships is therefore a fundamental concept in service management frameworks.

Understanding Costs in Service Relationships

Costs refer to the financial and resource expenditures associated with delivering and consuming a service. These costs may include infrastructure investment, software licensing, operational management, security controls, maintenance, and ongoing service improvements.

From the perspective of a service consumer, one of the primary benefits of using a service is that many of these costs are managed by the service provider. For example, when an organization adopts a cloud-based collaboration platform, it avoids the need to purchase and maintain its own servers, networking infrastructure, and system management tools. Instead, these costs are absorbed and managed by the service provider as part of the service offering.

However, the consumer may still incur certain costs related to service consumption, such as subscription fees, integration efforts, user training, and internal process adjustments. Effective service relationships, therefore, require a clear understanding of how costs are distributed between providers and consumers.

Understanding Risks in Service Relationships

In addition to costs, service relationships also involve risks. Risks represent potential events or conditions that may negatively affect service performance, reliability, security, or business outcomes.

Examples of risks in service relationships may include:

- Service outages or performance degradation,
- Data security or privacy breaches,
- Compliance or regulatory violations,
- Vendor dependency or lock-in,
- Integration failures between systems, and
- Operational disruptions affecting business activities.

When organizations consume services, they often transfer certain operational risks to the service provider. For example, in a managed cloud service, the provider assumes responsibility for infrastructure maintenance, availability management, and security controls.

At the same time, the consumer may retain responsibility for other risks, such as how the service is used within internal processes or how data is managed within the organization. This shared responsibility highlights the importance of clearly defined service agreements and governance structures.

Costs and Risks in ITIL 4

In ITIL 4, the concept of services was defined as a means of enabling value co-creation by facilitating outcomes that customers want to achieve without having to manage specific costs and risks. This definition emphasized that services reduce the operational burden on consumers by transferring certain responsibilities to the provider.

ITIL 4 also recognized that while providers may absorb some costs and risks, they must still manage these responsibilities effectively to deliver reliable and secure services.

Perspective in ITIL Version 5

The newer ITIL version builds on the ITIL 4 perspective but expands the discussion within the broader framework of DPSM. Modern digital services often operate within complex ecosystems involving multiple service providers, cloud platforms, software vendors, and integration partners.

In such environments, the distribution of costs and risks becomes more dynamic and interconnected. Organizations must consider not only direct service costs but also ecosystem-related factors, such as platform dependencies, data governance requirements, cybersecurity risks, and regulatory obligations.

As a result, service management frameworks encourage organizations to adopt holistic governance models that provide visibility into how costs and risks are distributed across digital value streams.

Shared Responsibility in Digital Services

A key concept in modern digital service environments is the shared responsibility model. This model recognizes that both providers and consumers contribute to the effective management of services.

For example, in cloud computing environments:

- The **service provider** may be responsible for infrastructure security, system availability, and platform maintenance.
- The **service consumer** may be responsible for user access management, application configuration, and data protection practices.

Clear communication of responsibilities prevents misunderstandings and ensures that both parties understand their role in maintaining service reliability and security.

Managing Costs and Risks through Governance

Effective governance mechanisms allow organizations to manage costs and risks within service relationships. Governance structures may include policies, Service-Level Agreements (SLAs), performance monitoring systems, and risk management practices that ensure services operate according to the agreed standards.

Organizations often use governance frameworks to evaluate service providers, monitor service performance, and ensure compliance with regulatory and organizational requirements. Governance also helps organizations maintain accountability and transparency in complex digital ecosystems.

Role of Transparency and Trust

Transparency is a critical factor in managing costs and risks in service relationships Service providers must clearly communicate how services operate, what responsibilities they assume, and what obligations remain with the consumer.

Trust between service providers and consumers is built through consistent service performance, clear communication, and effective risk management practices. Without trust, organizations may hesitate to rely on external service providers, limiting their ability to adopt innovative digital solutions.

Implications for Modern Service Management

As organizations increasingly depend on digital platforms and interconnected services, understanding the balance of costs and risks becomes even more important. Modern service management must ensure that services deliver value while maintaining financial sustainability, operational reliability, and regulatory compliance.

Organizations must therefore develop capabilities to assess service-related costs, identify potential risks, and establish governance mechanisms that

support effective service relationships.

Costs and risks are inherent components of every service relationship. By clearly defining how these elements are distributed and managed, organizations can ensure that services deliver value while maintaining stability and accountability.

The concept introduced in ITIL 4—that services enable outcomes without consumers having to manage specific costs and risks—remains fundamental. However, the newer ITIL version expands this perspective by recognizing the complexity of digital ecosystems, in which costs, risks, and responsibilities must be managed collaboratively across multiple participants.

Understanding this balance prepares organizations to manage digital products and services effectively while maintaining trust, resilience, and long-term value creation.

Utility, Warranty, and Sustainability

In modern service management, value is realized when services effectively enable users and organizations to achieve their desired outcomes. To ensure that services consistently deliver this value, service management frameworks emphasize the importance of utility and warranty. These two concepts explain how services provide functional capabilities while ensuring reliability, availability, and performance. In addition, the evolving digital landscape has introduced a growing emphasis on sustainability, ensuring that services remain responsible, resilient, and viable over the long term.

Understanding Utility

Utility refers to the functionality offered by a product or service that enables users to achieve specific outcomes. It answers the fundamental question: “What does the service do?” Utility represents the service’s ability to meet a particular need by providing useful features or capabilities.

For example, a digital collaboration platform may provide capabilities such as document sharing, real-time messaging, task tracking, and video conferencing. These functions enable teams to communicate and collaborate effectively. In this case, the utility of the service lies in its ability to support teamwork and productivity.

Utility is often described as “fit for purpose.” A service is considered useful if it provides the capabilities required to solve a particular problem or achieve a desired goal.

In ITIL 4, utility was defined as the functionality that is offered by a service to meet a specific need. This definition remains relevant in the newer ITIL version, as services must still deliver meaningful functionality to support customer outcomes.

Understanding Warranty

While utility focuses on functionality, warranty addresses the conditions under which the service is delivered. Warranty answers the question: “How well does the service perform?”

Warranty represents the assurance that a service will meet the agreed levels of reliability and performance. This typically includes factors such as:

- **Availability** : Ensuring that the service is accessible when required.
- **Capacity** : Ensuring the service can handle expected workloads.
- **Continuity** : Ensuring service operations continue during disruptions.
- **Security** : Ensuring that information and systems are protected.

Warranty is often described as “fit for use.” Even if a service provides useful functionality, it cannot deliver value if it is frequently unavailable, insecure, or unreliable.

For example, an online payment platform may provide the functionality needed to process transactions (utility). However, if the platform frequently experiences outages or security vulnerabilities, customers will lose trust in the service. Warranty ensures that the service performs consistently and reliably.

Combining Utility and Warranty

Utility and warranty work together to enable value creation. A service must provide both meaningful functionality and dependable performance to deliver successful outcomes.

Consider a cloud-based enterprise software platform:

- The **utility** of the platform includes features such as data analytics, reporting tools, and workflow automation.
- The **warranty** ensures that these features remain available, secure, and capable of supporting user demand.

Without utility, a service has no meaningful purpose. Without warranty, even useful services may fail to deliver value. Together, they create the foundation for effective service delivery.

In ITIL 4, utility and warranty were introduced as key components of service value. These concepts remain important in the newer ITIL version, while they are now increasingly considered within the broader context of DPSM and continuous lifecycle improvement.

Sustainability in Modern Service Management

While utility and warranty focus on functional and operational value, modern organizations must also consider the long-term impact of their services. This introduces the concept of sustainability.

Sustainability refers to the ability of services and digital operations to remain viable, responsible, and resilient over time while minimizing negative environmental, social, and economic impacts.

As digital technologies expand rapidly, organizations must address issues such as energy consumption in data centers, electronic waste, and responsible use of technological resources. Sustainable service management encourages organizations to design services that are efficient, environmentally responsible, and aligned with broader societal expectations.

Sustainability and ITIL Evolution

In ITIL 4, sustainability was not explicitly positioned as a central concept within service value discussions. However, the framework encouraged organizations to consider long-term value and responsible governance as part of service management practices.

The newer ITIL version expands this perspective by acknowledging that digital services operate within broader economic, environmental, and societal contexts. Sustainability, therefore, becomes an important factor in designing and managing digital products and services.

Organizations are encouraged to consider sustainability when making decisions related to infrastructure design, resource utilization, technology lifecycle management, and digital governance.

Integrating Utility, Warranty, and Sustainability

Modern service management requires balancing the following three dimensions:

- **Utility** , which ensures that services provide meaningful functionality.
- **Warranty** , which ensures reliable and secure performance.
- **Sustainability** , which ensures long-term viability and responsible operation.
- **UX** when the services are consumed by users.

When these elements are effectively integrated, organizations can deliver services that are not only useful and reliable but also aligned with long-term organizational and societal objectives.

For example, a cloud-based analytics platform must provide powerful analytical tools (utility), maintain high levels of system reliability and security (warranty), and operate using energy-efficient infrastructure and responsible resource management (sustainability).

Importance of DPSM

In the context of DPSM, utility, warranty, and sustainability become critical considerations throughout the lifecycle of digital offerings. As digital products evolve continuously, organizations must ensure that new features maintain functional usefulness, operational reliability, and sustainable design principles.

This integrated approach enables organizations to deliver digital services that remain adaptable, trustworthy, and responsible in rapidly evolving digital ecosystems.

Understanding the relationship between utility, warranty, and sustainability, therefore, helps organizations design services that deliver meaningful value while supporting long-term resilience and responsible innovation.

User Experience (UX) and Customer Experience (CX)

In modern digital environments, the success of a product or service is increasingly determined not only by its functionality but also by the quality of the experience it provides. As organizations adopt digital platforms to deliver services, understanding UX and CX has become essential for effective service management. These concepts ensure that services are not only technically reliable but also intuitive, engaging, and aligned with user expectations.

Understanding UX

UX refers to the overall experience that a user has when interacting with a digital product or service. It encompasses usability, accessibility, responsiveness, and the ease with which users can achieve their goals while using a system.

UX focuses on how users interact with interfaces, applications, and digital platforms. A well-designed user experience ensures that users can navigate systems efficiently, complete tasks without unnecessary complexity, and access the features they need without confusion.

For example, a digital service portal that allows employees to submit IT requests should provide clear navigation, simple forms, and quick response feedback. If the system is difficult to use or requires multiple unnecessary steps, the UX becomes poor, even if the service itself is technically available.

In modern digital environments, UX design incorporates several important principles, including simplicity, clarity, accessibility, and responsiveness. These principles ensure that digital products remain usable across different devices, platforms, and user environments.

Understanding CX

While UX focuses on interaction with a specific digital interface, CX represents the broader perception that customers develop through their interactions with an organization. CX includes every touchpoint in the

service relationship, including service portals, support interactions, communication channels, service reliability, and overall satisfaction.

CX, therefore, extends beyond the digital interface itself to include the entire service journey—from initial service discovery and onboarding to ongoing support and service improvement.

For example, a cloud service provider may offer a highly functional platform, but if customer support is slow, communication is unclear, or service issues are handled poorly, the overall CX may still be negative. CX, therefore, reflects the end-to-end relationship between the organization and its customers.

Relationship between UX and CX

While UX and CX are distinct concepts, they are closely interconnected. UX contributes directly to CX because user interactions with digital platforms are often the primary way customers engage with services.

A well-designed User Interface (UI), efficient workflows, and intuitive navigation improve the UX, which in turn strengthens the overall CX. Conversely, poor UX can significantly damage CX even if the underlying service capabilities are strong.

For example, an online banking application may offer advanced features and secure transactions. However, if the mobile interface is confusing or slow, customers may perceive the entire service negatively.

UX and CX in the Digital Economy

The importance of UX and CX has grown significantly with the rise of the digital and experienced economy. Customers now expect digital services to be fast, reliable, intuitive, and accessible from anywhere.

Organizations that deliver superior digital experiences often gain a strong competitive advantage. Digital platforms such as online retail services, streaming media platforms, ride-sharing applications, and digital banking services compete heavily on the quality of the experiences they provide.

In this environment, organizations must design services that prioritize human-centered experiences rather than focusing solely on technical functionality.

UX and CX in ITIL 4

In ITIL 4, the importance of CX and UX was reflected by the concept of value co-creation and the emphasis on understanding stakeholder needs. The framework recognized that services must enable meaningful outcomes for users and customers, which inherently requires positive experiences.

ITIL 4 also introduced practices such as Service Desk, Service Request Management, and Continual Improvement, which indirectly support UX and CX by improving communication, service accessibility, and responsiveness.

However, UX and CX were not always explicitly discussed as dedicated design considerations within service management processes.

UX and CX in ITIL Version 5

The newer ITIL version places stronger emphasis on experience-driven service design as part of DPSM. Modern digital services are expected to evolve continuously based on user feedback, behavioral analytics, and customer insights.

Organizations are encouraged to integrate UX and CX considerations throughout the product and service lifecycle. This includes activities such as user research, service journey mapping, usability testing, and continuous feedback analysis.

Digital platforms often collect data about how users interact with systems. By analyzing this data, organizations can identify usability issues, improve interface design, and introduce features that better align with user needs.

This shift recognizes that experience quality is a key component of value creation.

Designing Services for Better Experiences

To improve UX and CX, organizations must adopt human-centered design approaches. This includes understanding user needs, simplifying digital interactions, and ensuring that services remain accessible and responsive.

Common practices used to improve experiences include:

- User journey mapping
- Usability testing and feedback collection

- Service design workshops
- Continuous improvement based on user analytics
- Integration of customer feedback into product development

These approaches create services that are intuitive and aligned with real user needs.

Measuring Experience

Measuring UX and CX is essential for understanding whether services deliver meaningful experiences. Organizations often use metrics—such as customer satisfaction scores, user engagement levels, service adoption rates, and feedback ratings—to evaluate the experience quality.

These metrics complement traditional operational indicators such as service availability and response times, providing a more complete view of service performance.

Importance of DPSM

In the context of DPSM, UX and CX play a critical role in shaping how digital offerings evolve. As digital products are continuously updated, organizations must ensure that new features enhance the UX rather than introduce unnecessary complexity.

By integrating experience-focused design principles with service management practices, organizations can create digital services that are not only functional and reliable but also engaging and user-friendly.

Ultimately, focusing on UX and CX strengthens customer relationships, increases service adoption, and delivers meaningful value within modern digital ecosystems.

Service Relationships and Stakeholder Roles

Modern service management operates within a network of relationships between organizations, individuals, and supporting technologies. These relationships define how services are designed, delivered, consumed, and improved. Understanding service relationships and stakeholder roles is therefore essential for managing digital products and services effectively.

In today's digital economy, services are rarely delivered by a single organization working in isolation. Instead, value is created through collaboration among multiple participants who contribute resources, expertise, and capabilities. Service relationships provide the structure through which these participants interact and coordinate their activities.

Understanding Service Relationships

A service relationship refers to the interactions and collaborations that occur between a service provider and one or more service consumers. These interactions include service delivery, service consumption, communication, feedback, and continual improvement.

Service relationships ensure that both parties work together to achieve desired outcomes. The provider supplies the capabilities, technology, and operational support required to deliver the service, while the consumer uses the service to achieve specific business or personal objectives.

A service relationship may involve various types of interactions, including:

- **Service provision** , where the provider delivers services to consumers.
- **Service consumption** , where consumers use the service to achieve outcomes.
- **Service collaboration** , where both parties exchange information and feedback to improve the service.

These interactions form the foundation of value co-creation within service management frameworks.

Service Relationships in ITIL 4

In ITIL 4, service relationships were described as the cooperative interactions between service providers and service consumers that enable value co-creation. The framework introduced the service relationship model, which included service provision, service consumption, and service relationship management.

ITIL 4 emphasized that successful service delivery depends on clear communication, shared understanding of expectations, and continuous collaboration between providers and consumers.

Expanded Perspective in ITIL Version 5

The newer ITIL version expands the concept of service relationships by recognizing that modern digital services operate within complex ecosystems involving multiple stakeholders. Services are often delivered through interconnected platforms, cloud providers, integration partners, and external suppliers.

As a result, service relationships may extend beyond a simple provider-consumer model. Organizations must manage relationships across broader digital ecosystems, including partners, vendors, regulators, and technology platforms.

This expanded perspective reflects the shift toward DPSM, where services evolve continuously and require coordinated contributions from multiple stakeholders.

Stakeholders in Service Management

A stakeholder is any individual or organization that can affect, be affected by, or perceive itself to be affected by a service or its outcomes. Stakeholders play an important role in shaping service design, delivery, and improvement.

In service management, stakeholders typically include service providers, service consumers, partners, suppliers, and internal organizational teams. Each stakeholder contributes specific capabilities and responsibilities that support service delivery.

Understanding stakeholder roles helps organizations manage expectations, define responsibilities, and ensure effective collaboration throughout the service lifecycle.

Roles within Service Consumption

ITIL defines several roles that exist within the service consumer organization. These roles clarify how services are requested, funded, and used in the following manner:

- **Customer** : The customer is the individual or organization that defines service requirements and agrees on service targets with the provider, responsible for achieving the outcomes and obtaining the value. The

customer represents the interests of the organization consuming the service.

- **User** : The user is the individual who directly interacts with the service on a day-to-day basis. Users experience the functionality and usability of the service.
- **Sponsor** : The sponsor is the person or group that authorizes funding for the service and ensures that resources are available to support its use.

These roles were clearly defined in ITIL 4 and remain relevant in the newer ITIL version. However, in modern digital environments, these roles often interact more dynamically with product teams, platform providers, and ecosystem partners.

Roles within Service Provision

On the service provider side, multiple roles contribute to service delivery and management. These may include product managers, service managers, technical specialists, support teams, and governance authorities.

In the context of DPSM, provider roles increasingly involve cross-functional teams responsible for designing, developing, operating, and improving digital products throughout their lifecycle.

This integrated approach reflects the influence of modern practices such as Agile development, DevOps collaboration, and product-oriented service management.

The Role of Partners and Suppliers

Many services rely on external organizations that provide supporting technologies, infrastructure, or expertise. These entities are typically referred to as partners and suppliers.

Examples include cloud service providers, software vendors, consulting organizations, and telecommunications providers. These external stakeholders contribute essential capabilities that enable the delivery of complex digital services.

Effective service management requires organizations to manage these relationships carefully, ensuring that partners and suppliers align with

organizational goals, service quality expectations, and governance requirements.

Collaboration and Communication

Successful service relationships depend on strong collaboration and communication between stakeholders. Providers must understand customer needs and expectations, while consumers must communicate how services are being used and where improvements are required.

Regular feedback mechanisms, performance reviews, and service improvement initiatives help ensure that service relationships remain effective and aligned with the evolving business objectives.

Importance of DPSM

As organizations increasingly operate within digital ecosystems, managing service relationships becomes more complex and strategically important. Digital services often involve multiple platforms, technologies, and organizations working together to deliver value.

By clearly defining stakeholder roles and maintaining effective relationships, organizations can ensure that services remain aligned with customer needs and business objectives.

In the context of DPSM, strong service relationships enable continuous improvement, support innovation, and allow organizations to deliver reliable and valuable digital services within dynamic and interconnected environments.

Types of Service Relationships

In modern service management, services are rarely delivered through a single and simple interaction between a provider and a consumer. Instead, organizations operate within interconnected environments where multiple participants collaborate to deliver digital products and services. Understanding the different types of service relationships allows organizations to manage these interactions effectively and ensure that services deliver meaningful outcomes.

Service relationships describe how service providers and service consumers interact, exchange resources, and coordinate activities to enable value creation. These relationships form the foundation for how services are designed, delivered, consumed, and improved.

Service Relationships in ITIL 4

In ITIL 4, service relationships were introduced as cooperative interactions between service providers and service consumers that enable value co-creation. The framework emphasized that services are not simply delivered to customers, but they are also created through collaboration between multiple stakeholders.

ITIL 4 also described the service relationship model, which included activities such as service provision, service consumption, and service relationship management. These elements illustrated how providers and consumers work together to support the service lifecycle.

Expanded Perspective in ITIL Version 5

The newer ITIL version expands this concept to reflect the realities of modern digital ecosystems. Digital services often involve multiple organizations, platforms, and technologies working together. As a result, service relationships may exist not only between providers and consumers but also between partners, suppliers, and platform operators.

Within DPSM, service relationships are increasingly dynamic and may evolve as digital products grow, integrate with other platforms, and support new customer needs. Organizations must therefore manage relationships across a broader ecosystem of stakeholders.

Service Provider–Consumer Relationships

The most common type of service relationship is the provider–consumer relationship. In this model, a service provider delivers a service that enables a consumer to achieve specific outcomes.

For example, a cloud infrastructure provider delivers computing resources that allow a business to host its applications. The provider manages the

infrastructure, while the consumer uses the service to support its own operations.

This relationship requires clear agreements regarding service levels, responsibilities, performance expectations, and communication channels. Effective provider–consumer relationships rely on transparency, trust, and collaboration.

Internal Service Relationships

Many organizations operate internal service relationships in which one department provides services to another within the same organization. For example, an internal IT department may deliver services such as network access, digital collaboration tools, and technical support to employees.

Internal service relationships allow organizations to coordinate resources efficiently and ensure that technology capabilities align with business needs. Even though both provider and consumer exist within the same organization, these relationships often follow similar principles as external service relationships, including service agreements, performance monitoring, and feedback mechanisms.

External Service Relationships

External service relationships involve collaboration between an organization and external service providers. Examples include cloud service providers, managed service providers, software vendors, and telecommunications providers.

External relationships allow organizations to access specialized capabilities without building those capabilities internally. However, they also introduce additional considerations such as vendor management, contract negotiation, compliance requirements, and risk management.

Effective service management practices help organizations to maintain visibility and control over these external relationships.

Platform-Based Service Relationships

Modern digital services are frequently delivered through platform-based ecosystems. Platforms connect multiple service providers and consumers

within a shared digital environment.

Examples include cloud computing platforms, mobile application marketplaces, digital payment networks, and online commerce ecosystems. In these environments, platform operators provide infrastructure and governance mechanisms that allow other participants to deliver services through the platform.

Platform-based relationships enable rapid innovation and scalability but also require careful coordination among multiple stakeholders.

Collaborative Service Relationships

Some service relationships involve collaborative partnerships in which multiple organizations jointly design, develop, and operate digital services. These collaborative models are increasingly common in complex digital environments where organizations share expertise and resources.

For example, technology providers, software developers, and industry partners may collaborate to build integrated digital platforms that serve a shared customer base.

These collaborative relationships support innovation but also require strong governance structures and clearly defined responsibilities.

Importance of Managing Service Relationships

Managing service relationships effectively is essential for ensuring service reliability, performance, and value creation. Poorly managed relationships can lead to communication gaps, service disruptions, and unmet expectations.

Service management frameworks encourage organizations to establish clear agreements, define stakeholder responsibilities, monitor performance, and maintain continuous communication across all service relationships.

Service Relationships in DPSM

Within the context of DPSM, service relationships extend throughout the entire lifecycle of digital offerings. Digital products often integrate with multiple platforms, rely on external services, and involve continuous collaboration between internal teams and external partners.

By understanding the different types of service relationships and managing them effectively, organizations can ensure that digital services remain adaptable, reliable, and aligned with evolving customer needs.

Ultimately, strong service relationships enable organizations to operate successfully within complex digital ecosystems while supporting the broader objective of value co-creation that lies at the heart of modern service management frameworks.

The Service Journey Concept

Modern service management extends beyond the technical delivery of services. It focuses on understanding UX and CX throughout users' and customers' entire interaction with an organization. This broader perspective is captured through the concept of the "Service Journey," which represents the complete sequence of interactions that stakeholders experience when engaging with a service.

The service journey allows organizations to understand how value is delivered, perceived, and improved across different stages of service engagement. By analyzing the journey from the perspective of users and customers, organizations can design services that are more intuitive, responsive, and aligned with stakeholder expectations.

Understanding the Service Journey

A service journey refers to the end-to-end path that customers or users follow when interacting with a service. It includes all stages of engagement —from the initial discovery of the service to ongoing usage and eventual improvement or replacement.

The service journey is not limited to technical service delivery. It encompasses every interaction that influences the user's perception of the service, including service requests, onboarding processes, support interactions, performance experiences, and feedback mechanisms.

For example, consider the service journey of a cloud-based project management platform. The journey may begin with a customer evaluating available solutions, followed by service subscription, system configuration, user training, daily usage, technical support interactions, and periodic feature

updates. Each stage contributes to the overall experience and perceived value of the service.

Service Journey Stages

While service journeys may vary depending on the service type and organizational context, they typically include the following common stages:

1. **Explore:** At this stage, both the service provider and service consumer initiate interaction and begin understanding each other. They identify needs, expectations, constraints, and opportunities. From the provider's perspective, this involves market analysis, stakeholder identification, and contextual understanding. From the consumer's side, it involves evaluating potential providers and defining requirements.
2. **Engage:** This stage establishes active collaboration between stakeholders. It is a prerequisite for value co-creation, where communication channels are formalized and key roles (including sponsors) are identified. Engagement ensures alignment of interests and enables structured interaction across all participating parties.
3. **Offer:** Here, the service provider formulates and presents service offerings based on identified needs. This includes defining value propositions, service features, and expected outcomes. The offering is shaped as a business case and translated into requirements, service definitions, and contractual elements.
4. **Agree:** At this stage, both parties negotiate and finalize agreements. Expectations regarding service scope, quality, cost, and responsibilities are aligned. Governance elements such as SLAs, contractual terms, and approval mechanisms (including sponsor approval) are established to ensure clarity and accountability.
5. **Onboard:** This stage involves transitioning from agreement to execution readiness. It includes the integration of systems, processes, and resources between the provider and consumer. Organizational alignment, user enablement, and operational readiness are ensured to facilitate seamless service delivery.
6. **Co-create:** In this stage, actual service delivery and consumption occur. The service consumer actively uses the service while collaborating with the provider to realize value. Both parties jointly

contribute to achieving desired outcomes, making this stage central to value co-creation.

7. **Reflect:** The final stage focuses on evaluation and continual improvement. Performance is assessed against expected outcomes, feedback is collected, and insights are used to refine services. Decisions such as continuation, modification, or termination of the service relationship are made based on the measured value.

Stage (ITIL Version 5 Service Journey)	Description (ITIL Version 5 Perspective)	Closest ITIL4 Concept / Mapping	Key Alignment Insight
Explore	Identification of needs, stakeholders, context, and opportunities by both provider and consumer.	Opportunity identification, Demand management, Engage (Value Chain)	ITIL4 implicitly covers this through demand and opportunity capture; ITIL Version 5 formalizes it as a distinct journey stage.
Engage	Establishment of relationships, communication channels, and stakeholder collaboration.	Engage (Value Chain), Relationship Management Practice	Strong alignment: ITIL Version 5 expands emphasis on multi-stakeholder collaboration and sponsorship involvement.
Offer	Definition and presentation of service offerings, including value proposition and requirements.	Design and Transition (Value Chain), Service Design Practice	ITIL4 focuses on design; ITIL Version 5 explicitly links offerings to business case and demand shaping.
Agree	Negotiation and formalization of expectations, SLAs, scope, and responsibilities.	Service Level Management, Supplier Management, Engage	ITIL4 covers agreements operationally; ITIL Version 5 elevates this as a critical alignment stage for value co-creation.
Onboard	Integration of systems, processes, users, and resources to enable service readiness.	Transition (Value Chain), Change Enablement, Release Management	ITIL Version 5 provides clearer visibility on onboarding as a structured transition phase across both parties.
Co-create	Joint service delivery and consumption to achieve desired	Deliver and Support (Value Chain), Service Operation Practices	Core ITIL principle retained; ITIL Version 5 explicitly emphasizes co-

	outcomes and value realization.		creation rather than provider-centric delivery.
Reflect	Continuous evaluation, feedback, and improvement based on outcomes and performance.	Improve (Value Chain), Continual Improvement Practice	Direct alignment: ITIL5 strengthens feedback loops and ties reflection explicitly to decision-making (`continue/change/terminat`).

Table 2.1: *Aligning the Service Journey Model (ITIL Version 5 Context) with ITIL4 Concepts*

It is important to note the following:

- The journey is not strictly linear; stages may overlap or iterate.
- Visibility differs between provider and consumer (for instance, “line of visibility” and “band of visibility”).
- Continuous feedback loops ensure adaptive and evolving service relationships.

Understanding these stages allows organizations to identify opportunities for improving service quality, usability, and customer satisfaction.

The Importance of the Service Journey Perspective

Traditional service management often focused primarily on operational activities such as incident resolution, infrastructure management, and system availability. While these activities remain important, they represent only a portion of the overall service experience.

The service journey perspective shifts attention toward how stakeholders interact with services over time. This perspective helps organizations to identify potential friction points, inefficiencies, or usability challenges that may affect the overall service experience.

By analyzing the service journey, organizations can design services that better align with user expectations and business objectives.

Service Journey and CX

The concept of the service journey is closely related to CX and UX. While UX focuses on the usability of digital interfaces and CX considers the overall perception of the organization, the service journey provides a structured way to analyze how experiences unfold across multiple interactions.

For example, a service may perform well technically, yet still deliver a poor experience if onboarding is complicated or support processes are slow. Service journey mapping visualizes these interactions and identifies areas for improvement.

Service Journey in ITIL 4

In ITIL 4, the framework introduced concepts such as value streams, service relationships, and service interactions, which collectively contributed to understanding how value is created throughout service delivery.

Value streams illustrated how activities flow through the organization to create value, while service relationships described interactions between providers and consumers. Although ITIL 4 did not always use the specific term “Service Journey,” the underlying principles emphasized understanding the full lifecycle of service interactions.

Service Journey in ITIL Version 5

The newer ITIL version builds upon these principles and places greater emphasis on experience-driven service management within the context of DPSM. The service journey concept becomes more explicit as organizations focus on designing services that support seamless interactions across digital platforms.

Modern digital services often involve multiple channels, including mobile applications, web portals, automated service desks, and integration platforms. As a result, service journeys may include interactions across various digital touchpoints.

Organizations must therefore analyze and optimize these interactions to ensure consistent and high-quality experiences throughout the service lifecycle.

Service Journey Mapping

To better understand and improve service journeys, organizations often use a technique involving visually representing the sequence of interactions that users experience when engaging with a service.

Service journey maps identify the following:

- Key interaction points between users and services.
- Pain points or inefficiencies in the service experience.
- Opportunities for automation or process improvement.
- Areas where communication or support can be enhanced.

These insights allow organizations to design services that are more user-centered and aligned with stakeholder needs.

Importance of DPSM

Within the context of DPSM, the service journey becomes an essential tool for ensuring that digital offerings evolve based on real UX. As digital products are continuously updated with new features and capabilities, organizations must ensure that these changes enhance the overall service journey rather than introduce complexity.

By continuously monitoring user feedback, service performance, and customer satisfaction, organizations can refine their service journeys to deliver better outcomes.

The service journey concept provides a holistic perspective on how services are experienced by customers and users. Rather than focusing solely on technical service delivery, organizations must consider the entire sequence of interactions that influence service value.

Building on the principles introduced in ITIL 4, the newer ITIL version strengthens the importance of experience-driven service management. By understanding and optimizing service journeys, organizations can design digital products and services that deliver consistent, meaningful value throughout the entire lifecycle of service engagement.

Service Quality and Service Level Agreements (SLAs)

Delivering consistent and reliable services is one of the primary objectives of service management. Organizations rely on digital services to support business operations, customer engagement, and strategic growth. As a result, maintaining service quality and establishing clear SLAs are essential components of effective service relationships. These mechanisms ensure that services meet stakeholder expectations and deliver measurable value.

Understanding Service Quality

Service quality refers to the ability of a service to consistently meet agreed expectations and deliver the outcomes required by customers and users. High service quality ensures that services perform reliably, remain accessible, and support users in achieving their objectives without unnecessary disruptions.

Service quality is influenced by several factors, including service availability, system performance, security, usability, and responsiveness to incidents or service requests. When these elements operate effectively together, users can rely on the service to support their daily activities and business operations.

In modern digital environments, service quality also includes aspects related to UX, reliability, and continuous improvement. A technically functional service may still be perceived as low quality if it is difficult to use or fails to meet user expectations.

Service Quality in ITIL 4

In ITIL 4, service quality was addressed through service level management, which focused on defining, monitoring, and improving service performance to ensure that services meet agreed targets. The framework emphasized that service quality must support value co-creation between service providers and consumers.

Service quality was closely connected to concepts such as utility and warranty, where utility represents service functionality and warranty ensures that the service performs reliably under agreed conditions.

Service Quality in ITIL Version 5

The newer ITIL version builds upon the ITIL 4 perspective but expands service quality considerations within the broader framework of DPSM. In modern digital ecosystems, service quality must consider not only operational performance but also UX, ecosystem dependencies, and continuous product evolution.

Digital services often integrate multiple platforms, Application Programming Interfaces (APIs), cloud providers, and external partners. As a result, maintaining service quality requires coordination across complex digital environments. Organizations must therefore monitor service performance holistically, considering both technical indicators and experience-based metrics.

Understanding SLAs

An SLA is a formal agreement between a service provider and a service consumer that defines the expected level of service performance. SLAs establish measurable targets that ensure services operate according to the agreed expectations.

Typical SLA components include:

- **Availability Targets** : The percentage of time a service must remain operational.
- **Performance Metrics** : Response times, transaction speeds, or processing capacity.
- **Support Response Times** : How quickly incidents or service requests are addressed.
- **Resolution Time Objectives** : The expected timeframe for resolving service disruptions.
- **Security and Compliance Requirements** : Measures that ensure data protection and regulatory adherence.

SLAs provide transparency and accountability by clearly defining what service consumers can expect and what service providers are responsible for delivering.

Role of SLAs in Service Relationships

SLAs play a critical role in establishing trust between service providers and consumers. By defining measurable service targets, SLAs ensure that both parties share a clear understanding of service expectations.

SLAs also manage risks by identifying performance thresholds and response commitments. If service performance falls below agreed levels, corrective actions can be initiated to restore service quality.

In addition, SLAs provide a foundation for service performance monitoring and continual improvement, enabling organizations to identify opportunities for enhancing service reliability and efficiency.

Service Level Monitoring and Reporting

To ensure that SLAs remain effective, organizations must continuously monitor service performance. Monitoring tools collect data related to system availability, response times, incident resolution rates, and other operational indicators.

Regular performance reports allow service providers and consumers to review whether services meet agreed targets. These reviews support transparency and enable organizations to identify potential improvements.

Experience-Oriented Service Quality

While traditional SLAs focused primarily on technical performance metrics, modern service environments increasingly incorporate experience-based indicators such as user satisfaction, service adoption rates, and customer feedback.

This shift reflects the broader transformation toward experience-driven service management, where organizations evaluate service success based on how effectively services support stakeholder outcomes.

SLAs in DPSM

Within DPSM, SLAs must adapt to the dynamic nature of digital services. As digital products evolve continuously through updates and new features,

service levels must also evolve to reflect changing capabilities and customer expectations.

Organizations may complement SLAs with additional mechanisms such as Service Level Objectives (SLOs), performance indicators, and real-time monitoring systems that support rapid detection and resolution of service issues.

Governance and Continuous Improvement

Effective SLA management requires strong governance structures that ensure service performance is reviewed regularly and aligned with organizational objectives. Governance processes help organizations to evaluate service quality, manage risks, and implement improvements when performance falls short of expectations.

Continual improvement initiatives allow organizations to refine service processes, enhance service reliability, and adapt to changing business requirements.

Service quality and SLAs form an essential foundation for successful service relationships. By defining measurable expectations and monitoring service performance, organizations can ensure that services remain reliable, responsive, and aligned with stakeholder needs.

While ITIL 4 emphasized service level management as a key practice for maintaining service quality, the newer ITIL version expands this perspective by integrating service quality management within the broader framework of DPSM and experience-driven service design.

Thus, by combining clear service agreements, continuous monitoring, and user-focused improvement strategies, organizations can deliver digital services that consistently meet performance expectations while supporting long-term value creation.

Conclusion

This chapter established the conceptual foundation for understanding ITIL Version 5 and DPSM. It explained essential concepts such as products, services, value, outputs, outcomes, costs, risks, utility, warranty, and sustainability, highlighting how these elements support value creation in modern digital environments. The chapter also explored service

relationships, stakeholder roles, service journeys, and service quality management. While many of these concepts originated in ITIL 4, the newer version expands them to reflect digital ecosystems, lifecycle thinking, and experience-driven service management. These concepts form the knowledge base required to understand ITIL's value systems, practices, and lifecycle models, which will be discussed in the following chapters.

In *Chapter 3: ITIL Four Dimensions of Product and Service Management* , we shall discuss the foundational model that ensures a holistic and balanced approach to managing digital products and services.

Multiple Choice Questions

1. What best describes a service in ITIL?
    a. A set of infrastructure components
    b. A means of enabling value by facilitating outcomes without customers managing specific costs and risks
    c. A software application delivered through cloud platforms
    d. A technology platform used for digital transformation
2. What is the primary difference between outputs and outcomes?
    a. Outputs measure financial performance, while outcomes measure technology performance
    b. Outputs represent deliverables produced by a service, while outcomes represent results achieved by the consumer
    c. Outputs focus on users, while outcomes focus on providers
    d. Outputs represent strategy, while outcomes represent governance
3. In service management, utility primarily refers to:
    a. The reliability of a service
    b. The usability of the service interface
    c. The functionality that enables a service to meet a specific need
    d. The cost of delivering the service
4. Which role within the service consumer organization is responsible for authorizing funding for a service?

a. User
b. Customer
c. Sponsor
d. Service Manager

5. Which of the following best describes a Service Level Agreement (SLA)?

a. A legal contract between suppliers
b. A monitoring tool for service performance
c. A formal agreement defining expected service performance and responsibilities
d. A document describing service architecture

Answers

1. b
2. b
3. c
4. c
5. c

Questions

1. Explain the concept of Digital Product and Service Management (DPSM) and its importance in modern digital organizations.
2. Describe the difference between products, services, digital products, and digital services.
3. Discuss the concept of value co-creation and its role in modern service management frameworks.
4. Explain the difference between outputs and outcomes with practical examples.
5. Describe how costs and risks are distributed within service relationships.

6. Explain the concepts of utility and warranty and how they contribute to service value.
7. Discuss the growing importance of sustainability in digital service management.
8. Explain the difference between User Experience (UX) and Customer Experience (CX).
9. Describe the roles of customer, user, and sponsor in service consumption.
10. Explain the concept of the service journey and its importance in improving digital service experiences.

Key Terms

- **Digital Product and Service Management (DPSM):** An integrated approach for managing digital products and services across their lifecycle to deliver continuous value in digital environments.
- **Product:** A configuration of resources designed to offer value to a specific group of consumers.
- **Service:** A means of enabling value co-creation by facilitating outcomes that customers want to achieve without managing specific costs and risks.
- **Digital Product:** A technology-enabled product delivered through digital platforms and continuously improved through data, analytics, and feedback.
- **Digital Service:** A service delivered primarily through digital technologies to help users or organizations achieve desired outcomes.
- **Value:** The perceived benefits, usefulness, and importance of something to stakeholders.
- **Value Co-Creation:** The collaborative process through which service providers and consumers work together to create value.
- **Output:** A tangible or intangible deliverable produced by a service or activity.
- **Outcome:** The result achieved by a service consumer through the use of a service.

- **Utility:** The functionality offered by a service that meets a particular need (fit for purpose).
- **Warranty:** The assurance that a service will meet agreed performance, availability, capacity, and security requirements (fit for use).
- **User Experience (UX):** The experience of users interacting with digital systems or services.
- **Customer Experience (CX):** The overall perception of customers develops through their interactions with an organization's services.
- **Service Relationship:** The collaboration between service providers and service consumers that enables value co-creation.
- **Service Journey:** The end-to-end path that customers or users experience when interacting with a service.
- **Service Level Agreement (SLA):** A formal agreement between the service provider and consumer defining expected service performance levels.

CHAPTER 3

ITIL Four Dimensions of Product and Service Management

Introduction

This chapter introduces the Information Technology Infrastructure Library's (ITIL's) Four Dimensions of Product and Service Management—a foundational model that ensures a holistic and balanced approach to managing digital products and services. It explains how successful service management requires consideration that is beyond processes and technology, incorporating organizational structure, culture, partnerships, and value flow across the enterprise.

The chapter will begin by outlining the purpose of the Four Dimensions model and why a siloed or process-only perspective is insufficient in modern digital environments. It emphasizes that value creation is the result of coordinated interactions across people, technology, suppliers, and value streams.

Each dimension is examined in detail. The Organizations and People dimension explores culture, leadership, competencies, structure, and the evolving collaboration between humans and intelligent systems. The Information and Technology dimension addresses the critical role of data, digital platforms, automation, Artificial Intelligence (AI), and technological architecture in enabling service value. The Partners and Suppliers dimension highlights the growing reliance on external ecosystems, outsourcing models, and collaborative networks. Finally, the Value Streams and Processes dimension explains how workflows must be designed and optimized to manage complexity and deliver outcomes effectively.

The chapter will also introduce the importance of external factors such as political, economic, social, technological, legal, and environmental conditions. These external elements shape how the four dimensions must be designed and balanced within an organization.

By the end of this chapter, readers will understand how the Four Dimensions model serves as a structural lens for assessing organizational maturity, identifying improvement opportunities, and ensuring alignment between strategy and operations. This model provides the architectural backbone for the ITIL Product and Service Lifecycle and the ITIL Value System, which will be discussed in later chapters.

Structure

In this chapter, we will cover the following topics:

- Purpose and Importance of the Four Dimensions Model
- The Need for a Holistic Approach in DPSM
- Organizations and People Dimension
- Information and Technology Dimension
- Partners and Suppliers Dimension
- Value Streams and Processes Dimension
- External Influencing Factors (PESTLE)
- Balancing the Four Dimensions for Sustainable Value Creation

Purpose and Importance of the Four Dimensions Model

Modern digital organizations operate within environments characterized by rapid technological change, complex service ecosystems, and constantly evolving customer expectations. In such environments, managing products and services effectively requires more than simply designing processes or implementing technologies. It requires a holistic view of the entire organizational system that contributes to value creation.

The ITIL Four Dimensions Model provides this holistic perspective. It serves as a structural framework that helps organizations ensure that all critical elements required for successful Digital Product and Service Management (DPSM) are considered together rather than in isolation.

The Four Dimensions model identifies four essential areas that collectively influence the ability of an organization to deliver value through products and services, which are as follows:

- Organizations and People
- Information and Technology
- Partners and Suppliers
- Value Streams and Processes

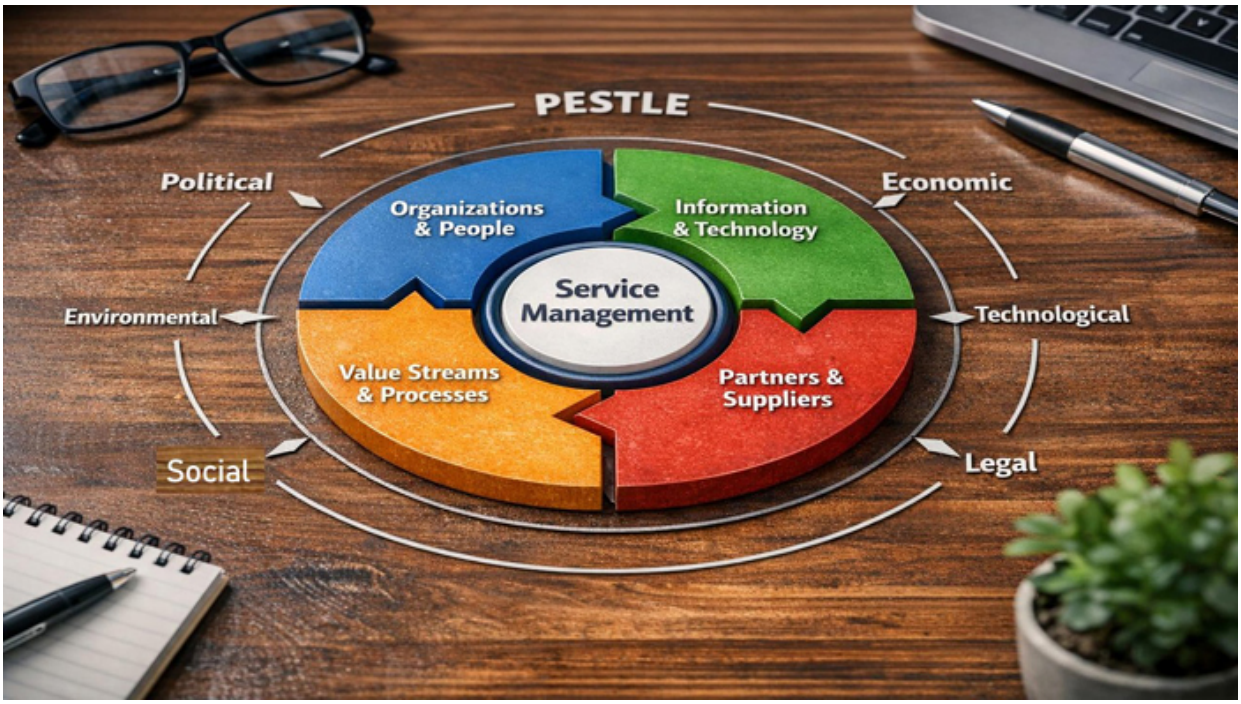

Figure 3.1: *ITIL Four Dimensions*

The preceding dimensions must be balanced and aligned to ensure that digital products and services are effectively designed, delivered, and improved.

Necessity of the Four Dimensions Model

Historically, many organizations approached service management primarily through process design and operational procedures. While structured processes remain important, focusing only on processes can lead to fragmented management approaches. Technology may evolve faster than organizational capabilities, suppliers may operate independently from internal teams, and workflows may fail to support customer outcomes.

The Four Dimensions model addresses this challenge by ensuring that service management decisions consider organizational structure, people, technology, partners, and workflows simultaneously. This broader

perspective avoids siloed thinking and promotes integrated management of digital products and services.

According to the ITIL framework, all four dimensions must be considered collectively when designing, managing, and improving services. No single dimension can ensure successful service delivery. Instead, value creation emerges through the coordinated interaction of all dimensions.

The foundation for a holistic view of service management can be traced back to ITIL V2 and V3 through the concept of the "3/4 P's"—People, Process, Products (Technology), and Partners. Building on this evolution, ITIL 4 formally introduced the Four Dimensions as a core element of the Service Value System (SVS), ensuring a balanced and integrated approach across "Organizations and People," "Information and Technology," "Partners and Suppliers," and "Value Streams and Processes."

A key advancement in ITIL 4 is the emphasis on value streams, which break down traditional process silos and enable an end-to-end perspective of activities—from demand or opportunity through to value realization—thereby strengthening alignment between strategy, operations, and outcomes.

In ITIL Version 5, the concept remains fundamentally the same, but it is expanded to align with the broader perspective of DPSM. While ITIL 4 primarily emphasized service management practices, ITIL Version 5 reinforces the role of the Four Dimensions not just as a structural lens for practices, but also as the foundational resource model for creating and managing digital products and services across their entire lifecycle, including design, development, delivery, and continual improvement.

This shift reflects the increasing convergence of product management, service management, and digital operations within modern organizations.

Enabling Holistic DPSM

The Four Dimensions model plays a critical role in ensuring that organizations adopt the systems thinking approach when managing digital products and services. Instead of viewing technology, teams, suppliers, or workflows independently, the model encourages leaders to understand how these elements interact and influence each other.

For example:

- A new digital platform may require changes in organizational skills and competencies.
- Automation technologies may impact workflows and operational processes.
- Outsourced service components may influence supplier relationships and governance models.
- Customer expectations may require adjustments in service design and experience management.

Thus, by considering the preceding dimensions together, organizations can design management practices that remain resilient and adaptable in complex environments.

Supporting Value Creation and Service Outcomes

The ultimate purpose of the Four Dimensions model is to support value co-creation between service providers, consumers, and other stakeholders. Each dimension contributes to this goal in the following ways:

- **The Organizations and People Dimension** ensures that leadership, culture, and skills support effective service management.
- **The Information and Technology Dimension** provides the digital infrastructure, tools, and data necessary to enable services.
- **The Partners and Suppliers Dimension** extends organizational capabilities through collaboration and external expertise.
- **The Value Streams and Processes Dimension** coordinates activities and workflows that transform inputs into valuable outcomes.

When these dimensions are properly aligned, organizations can deliver services that are reliable, scalable, innovative, and responsive to the changing customer needs.

Adapting to Complex Digital Ecosystems

Another important purpose of the Four Dimensions model is to allow organizations to operate effectively within complex digital ecosystems. Modern services rarely exist within the boundaries of a single organization.

Instead, they are delivered through interconnected networks of platforms, vendors, developers, and partners.

The Four Dimensions model ensures that organizations remain aware of the interdependencies across these ecosystems. It encourages organizations to design governance structures, technology architectures, supplier relationships, and operational workflows that can function effectively across distributed environments.

A Foundation for the ITIL Value System and Lifecycle Models

Within the ITIL framework, the Four Dimensions model also acts as a foundational lens for applying other ITIL components. When organizations design value streams, implement practices, or manage product lifecycles, they must consider how each decision affects all the four dimensions.

For example, a new service deployment may involve:

- Changes in organizational roles and responsibilities,
- Updates to technology platforms and data architecture,
- Coordination with external suppliers, and
- Redesign of operational workflows.

Considering these elements collectively ensures that management decisions remain aligned with the organization's broader value objectives.

The ITIL's Four Dimensions model provides organizations with a structured yet flexible framework for managing digital products and services holistically. By encouraging balanced consideration of people, technology, partners, and workflows, the model allows organizations to avoid siloed decision-making and enables more effective value creation.

While originally introduced in ITIL 4, the model has gained even greater importance in ITIL Version 5, where it supports the broader shift toward DPSM and the management of complex digital ecosystems.

Hence, understanding the purpose and importance of the Four Dimensions model provides a critical foundation for applying ITIL principles in modern digital organizations.

The Need for a Holistic Approach in DPSM

Modern organizations operate in environments that are increasingly complex, interconnected, and technology-driven. Digital products and services are rarely delivered through a single team, technology platform, or operational process. Instead, they emerge from coordinated interactions across multiple organizational units, technologies, partners, and workflows.

Owing to this complexity, managing digital products and services effectively requires a holistic management approach—one that considers the entire ecosystem involved in value creation rather than focusing on isolated components.

The ITIL framework recognizes that value is created through the combined contribution of people, technology, suppliers, and workflows. If organizations focus only on individual elements such as processes or tools, they risk creating fragmented systems that fail to deliver consistent outcomes for customers and stakeholders.

Therefore, a holistic perspective ensures that all components of the service management environment work together as an integrated system.

Limitations of a Silo-Based Management Approach

In many traditional IT environments, management practices evolved around specialized functional areas. Infrastructure teams focused on system stability, development teams focused on building software, procurement teams managed supplier contracts, and operations teams handled service delivery.

While specialization improves expertise, it can also lead to organizational silos. Each function may optimize its own activities without considering the broader service ecosystem. As a result, organizations may experience issues such as:

- Poor coordination between development and operations teams.
- Misalignment between technology capabilities and business needs.
- Inefficient communication between internal teams and external suppliers.
- Fragmented workflows that slow service delivery.

- Inconsistent Customer Experiences (CX) across different service channels.

These challenges demonstrate why a process-only or technology-only approach to service management is insufficient.

Systems Thinking in Digital Service Management

A holistic approach requires organizations to adopt systems thinking—an understanding that the performance of the whole system depends on the interactions between its components.

In the context of DPSM, systems thinking means recognizing that:

- Organizational culture influences how teams collaborate and innovate.
- Technology architecture affects how services scale and integrate with other platforms.
- Supplier relationships influence service availability, cost structures, and operational resilience.
- Workflow design affects efficiency, responsiveness, and customer satisfaction.

The preceding elements are interdependent. A change in one area often produces ripple effects across the entire system.

For example, implementing a new automation platform may improve operational efficiency, but it may also require:

- New skills and competencies for employees,
- Revised supplier relationships,
- Updated governance policies, and
- Redesigned operational workflows.

A holistic approach ensures that such changes are managed in a coordinated and balanced way.

Holistic Service Management in ITIL 4

The importance of holistic service management was strongly emphasized in ITIL 4, in which the Four Dimensions model was introduced as a

mechanism for ensuring balanced consideration of organizational elements.

ITIL 4 positioned the Four Dimensions model as a core structural component of the SVS. The framework encouraged organizations to consider the following dimensions simultaneously:

- Organizations and People
- Information and Technology
- Partners and Suppliers
- Value Streams and Processes

By evaluating all the four dimensions collectively, organizations could ensure that service management practices remained aligned with broader business objectives.

Expanded Relevance in ITIL Version 5

In ITIL Version 5, the need for a holistic approach becomes even more significant because the framework extends beyond traditional service management toward DPSM.

Digital products are no longer static deliverables. They evolve continuously through updates, data-driven insights, and user feedback. As a result, organizations must manage not only operational services but also the entire lifecycle of digital products and services, including design, development, deployment, operation, and continual improvement. Please find enclosed the following mapping to the ITIL V3 lifecycle:

- Discover (Service Strategy)
- Design (Service Design)
- Acquire (Service Transition)
- Build (Service Transition)
- Transition (Service Transition)
- Operate (Service Operation)
- Deliver (Service Operation)
- Support (Service Operation)

This expanded scope introduces additional complexity. Organizations must coordinate multiple disciplines, such as:

- Software development and DevOps
- Platform engineering
- Cloud infrastructure management
- Supplier ecosystems
- Data and analytics
- Cybersecurity and governance
- User Experience (UX) design

A holistic management approach allows organizations to integrate the preceding capabilities into a cohesive and operational model.

Supporting Value Co-Creation

Another important reason for adopting a holistic approach is the principle of value co-creation, which lies at the heart of modern service management.

Value is rarely created by a single organization acting alone. Instead, it emerges from collaboration between multiple stakeholders, including:

- Service providers
- Customers and users
- Partners and suppliers
- Regulators and industry ecosystems

Each stakeholder contributes resources, capabilities, and knowledge that influence the final value delivered through digital products and services.

A holistic perspective ensures that these stakeholders are aligned around shared outcomes, enabling effective collaboration and long-term service success.

Addressing Complexity in Digital Environments

Today, digital ecosystems are shaped by a wide range of technological, economic, and societal influences. Organizations must navigate factors such as:

- Rapid technological innovation
- Evolving cybersecurity threats

- Global supply chains
- Regulatory requirements
- Environmental sustainability expectations

These external influences mean that service management cannot be designed solely from an internal operational perspective.

A holistic approach encourages organizations to consider both internal capabilities and external environmental factors, ensuring that service management strategies remain adaptable and resilient.

Enabling Continual Improvement

Holistic management also supports continual improvement, which is a central principle within the ITIL framework.

When organizations understand how different elements of the service ecosystem interact, they can identify improvement opportunities and optimize performance across the entire system.

For example, improving service delivery may involve:

- Enhancing staff training and competencies.
- Modernizing technology platforms.
- Strengthening supplier collaboration.
- Redesigning value streams and workflows.

Thus, by viewing service management as an integrated system, organizations can implement improvements that generate sustainable value rather than isolated short-term gains.

The complexity of modern digital environments makes a holistic approach to DPSM essential. Organizations must move beyond silo-based management models and instead adopt integrated perspectives that consider people, technology, partners, and workflows together.

ITIL 4 introduced this principle through the Four Dimensions model, and ITIL Version 5 further strengthens its importance by applying the model across the entire lifecycle of digital products and services.

Therefore, by adopting holistic management practices, organizations can better navigate complexity, support value co-creation, and deliver reliable,

innovative, and customer-focused digital services.

Organizations and People Dimension

Among the four dimensions of DPSM, the Organizations and People dimension focuses on the human and structural aspects that enable an organization to design, deliver, and continually improve digital products and services. While technology and processes play critical roles in service management, it is ultimately people, culture, leadership, and organizational structures that determine how effectively these capabilities are applied.

Digital services are created and managed by individuals and teams who bring knowledge, experience, and creativity to their roles. Therefore, the effectiveness of service management depends heavily on how an organization structures its teams, develops competencies, fosters leadership, and cultivates a collaborative culture.

The Organizations and People dimension ensures that service management activities are supported by the right skills, governance structures, leadership behaviors, and cultural values required to enable value creation.

In ITIL 4, this dimension already emphasizes the importance of organizational culture, people capabilities, and leadership in delivering services effectively. In ITIL Version 5, the scope expands to reflect modern digital environments, in which organizations must integrate cross-functional collaboration, product-focused teams, and human–AI collaboration.

The main components of this dimension include culture and leadership, skills and competencies, organizational structure, and collaboration between humans and intelligent technologies.

Component 1: Culture and Leadership

Organizational culture represents the shared values, beliefs, and behaviors that influence how people work together within an organization. Culture shapes decision-making, communication patterns, collaboration practices, and attitudes toward innovation and improvement.

A strong service-oriented culture encourages employees to focus on customer outcomes, teamwork, accountability, and continual improvement. Organizations that cultivate such cultures are better able to adapt to the changing customer needs and evolving technological environments.

Leadership plays a crucial role in shaping and reinforcing this culture. Leaders influence how teams prioritize work, manage risk, and collaborate across organizational boundaries. Effective leaders in digital service environments demonstrate several important characteristics, including:

- **Vision and Direction:** Leaders articulate clear strategic goals aligned with customer value and organizational outcomes.
- **Integrity and Trust:** Ethical leadership builds trust among employees, partners, and stakeholders.
- **Support for Innovation:** Leaders encourage experimentation, learning, and continuous improvement.
- **Empowerment of Teams:** Leaders create environments where individuals are encouraged to contribute ideas and take ownership of outcomes.

In ITIL 4, leadership was emphasized as an important driver of service culture and organizational performance. ITIL Version 5 extends this concept by highlighting leadership's role in enabling product-centric thinking, cross-functional collaboration, and digital innovation across the enterprise.

Component 2: Skills and Competencies

Delivering modern digital products and services requires a wide range of technical, analytical, and interpersonal competencies. As digital ecosystems grow more complex, organizations must ensure that their workforce possesses the skills necessary to operate, manage, and improve digital services effectively.

Competencies extend beyond purely technical knowledge. Successful service management environments rely on a combination of capabilities such as:

- Analytical thinking and problem-solving,
- Collaboration and teamwork,
- Communication and stakeholder engagement,
- Leadership and decision-making,
- Adaptability and continuous learning, and
- Customer-centric thinking.

Technical competencies may include expertise in certain areas: cloud computing, cybersecurity, data management, automation, DevOps practices, and digital platform management.

Organizations must continuously assess and develop these competencies through training programs, professional development initiatives, and knowledge-sharing practices. Industry competency frameworks and certification programs can identify the capabilities required for different roles.

In ITIL 4, competencies were already recognized as essential for enabling service management practices. ITIL Version 5 builds on this foundation by recognizing that modern service environments increasingly require multidisciplinary skills that combine technological expertise, product management capabilities, and digital innovation skills.

Component 3: Organizational Structure

Organizational structure defines how responsibilities, authority, and communication channels are arranged within an organization. The structure determines how teams collaborate, how decisions are made, and how work flows across different functional areas.

Traditional IT organizations often relied on hierarchical structures organized around technical functions, such as infrastructure management, application development, and operations support. While these structures provided specialization, they sometimes created barriers between teams, slowing innovation and service delivery.

Modern digital organizations increasingly adopt product-focused and cross-functional structures. In these models, teams are organized around digital products or services rather than individual technical functions. Such teams often include members from development, operations, security, and business units who collaborate to deliver outcomes for customers.

Product-focused teams improve communication, accelerate decision-making, and enable organizations to deliver continuous improvements to digital services.

This shift aligns closely with practices such as DevOps, agile delivery models, and platform engineering, which encourage closer collaboration between development and operations functions.

In ITIL 4, organizational structure was recognized as an important factor influencing service delivery. ITIL Version 5 further emphasizes product-centric organizational design, recognizing that digital services often evolve through continuous lifecycle management rather than through isolated project implementations

Component 4: Human and AI Collaboration

A distinctive aspect of modern digital environments is the growing collaboration between humans and intelligent technologies. AI, machine learning, and advanced automation tools are increasingly used to support service management activities.

These technologies can analyze large volumes of operational data, identify patterns, automate routine tasks, and assist decision-making processes. Examples include:

- Automated incident detection and remediation,
- Predictive analytics for capacity planning,
- AI-driven service desk assistants, and
- Intelligent monitoring and event management systems.

However, while intelligent technologies provide powerful capabilities, human expertise remains essential. Humans provide contextual understanding, ethical judgment, creativity, and strategic decision-making that machines cannot fully replicate.

Therefore, effective DPSM requires collaborative interaction between human professionals and intelligent systems. Organizations must ensure that employees are trained to work effectively with AI tools while maintaining appropriate governance, oversight, and accountability.

This area represents one of the key evolutions from ITIL 4 to ITIL Version 5. While ITIL 4 acknowledged the importance of automation and digital technologies, ITIL Version 5 places greater emphasis on human–AI collaboration as a fundamental component of modern service management environments.

The Organizations and People dimension highlights the central role of human capabilities, leadership, culture, and organizational design in DPSM. Successful service management depends not only on technology and

processes but also on how people collaborate, innovate, and respond to changing environments.

By cultivating strong leadership, developing critical competencies, designing effective organizational structures, and enabling collaboration between humans and intelligent technologies, organizations can build resilient teams capable of delivering continuous value through digital products and services.

Thus, understanding this dimension is essential for organizations seeking to operate effectively within complex digital ecosystems and to realize the full benefits of the ITIL framework.

Information and Technology Dimension

The Information and Technology dimension focuses on the digital infrastructure, technological capabilities, and information resources that enable organizations to design, deliver, and manage digital products and services. In modern digital environments, technology and information systems form the backbone of service delivery. Without appropriate technology architecture, data management, and digital tools, organizations cannot effectively create or sustain value through services.

This dimension encompasses the technologies used to support services, the information flows that enable decision-making, and the knowledge resources that support operational and strategic activities. It includes applications, infrastructure, databases, automation platforms, knowledge systems, and emerging technologies such as AI.

In ITIL 4, the Information and Technology dimension emphasized the importance of digital tools, information systems, and technological infrastructure in supporting service management practices. ITIL Version 5 extends this perspective, recognizing that technology is no longer simply a supporting capability but a core driver of digital product innovation, data-driven decision-making, and intelligent service operations.

The main components of this dimension include technology foundations, AI and automation, data–information–knowledge management, and the role of technology in enabling value creation.

Component 1: Technology Foundations

Technology foundations refer to the core infrastructure and digital platforms that support the operation and delivery of digital products and services. These foundations include the hardware, software, networks, cloud platforms, and management systems that enable organizations to build and operate digital solutions.

Examples of technology foundations include:

- Cloud infrastructure and virtualization platforms,
- Enterprise applications and digital platforms,
- Workflow management systems,
- Monitoring and observability tools,
- Knowledge management systems, and
- Communication and collaboration platforms.

These technologies support various service management activities, including workflow coordination, knowledge sharing, service monitoring, automation, and decision support.

In modern organizations, technology architecture must be designed to support scalability, resilience, integration, and security. Digital services often rely on complex ecosystems of interconnected platforms and services, making architectural design and technology governance essential for maintaining service reliability and performance.

In ITIL 4, technology foundations were primarily discussed in relation to enabling service management practices and workflows. ITIL Version 5 expands this view by emphasizing digital platform ecosystems and integrated technology architectures, which support the lifecycle management of digital products and services.

Component 2: AI and Automation

AI and automation technologies are transforming how organizations manage digital services. These technologies enable systems to analyze large volumes of data, detect patterns, predict potential issues, and perform routine operational tasks without manual intervention.

Automation technologies can support a wide range of service management activities, such as:

- Automated infrastructure provisioning,
- Automated deployment pipelines,
- Service request fulfillment,
- Monitoring and event management, and
- Incident detection and response.

AI extends these capabilities further by enabling predictive and intelligent operations. AI-driven systems can analyze operational data to identify potential service disruptions, recommend solutions, or initiate corrective actions automatically.

Examples of AI-enabled capabilities in service management include:

- Predictive incident detection,
- Automated root cause analysis,
- Intelligent service desk assistants,
- Capacity forecasting and performance optimization, and
- Automated knowledge generation.

While automation and AI improve efficiency and scalability, human oversight remains essential. Humans provide contextual judgment, ethical considerations, and strategic decision-making that automated systems cannot fully replicate.

In ITIL 4, automation was recognized as an important capability supporting service management practices. ITIL Version 5 significantly expands this concept, reflecting the growing role of AI-driven analytics, intelligent automation, and generative technologies in modern digital service environments.

Organizations adopting these technologies must also establish governance frameworks for responsible AI use, ensuring transparency, accountability, and data protection.

Component 3: Data, Information, and Knowledge

Another critical element of the Information and Technology dimension is the effective management of data, information, and knowledge. Digital services generate vast volumes of operational and customer-related data. When

properly processed and analyzed, this data can provide valuable insights that support better decision-making and service improvement.

The following three elements are closely related but represent progressive stages of understanding where context plays a critical role:

- **Data** consists of raw facts and observations without inherent meaning or context.
- **Information** is data that has been organized and interpreted, with context applied to make it meaningful.
- **Knowledge** emerges when information is combined with experience, analysis, and deeper contextual understanding to enable informed decision-making.

Organizations must ensure that data flows effectively across systems and teams. Reliable data collection, secure storage, and effective analysis capabilities are essential for managing modern digital services.

Knowledge management systems play an important role in capturing operational insights, lessons learned, and best practices. These systems allow organizations to preserve expertise, support employee learning, and improve service performance.

In ITIL 4, knowledge management was already recognized as a key management practice. ITIL Version 5 places even greater emphasis on data governance, analytics, and information architecture, reflecting the increasing importance of data-driven decision-making in digital service environments.

Thus, organizations must implement strong data governance frameworks to ensure data quality, security, privacy, and regulatory compliance.

Component 4: Enabling Value through Technology

The ultimate purpose of the Information and Technology dimension is to enable organizations to create and deliver value through digital products and services. Technology should not be viewed merely as an operational tool but as a strategic capability that supports innovation, efficiency, and CX.

Effective technology management enables organizations to:

- Deliver reliable and scalable digital services,
- Respond rapidly to changing customer needs,

- Automate routine operational tasks,
- Generate insights through data analytics,
- Support collaboration across teams and partners, and
- Improve service quality and performance.

Technology also plays a significant role in enabling value co-creation between service providers, consumers, and partners. Digital platforms allow organizations to interact with customers in new ways, collect feedback, and continuously improve services based on user behavior and experience data.

In ITIL 4, technology primarily supported service management practices and workflows. ITIL Version 5 expands the role of technology to support the entire lifecycle of digital products and services, emphasizing the integration of technology with value streams, product management, and digital ecosystems.

This broader perspective reflects the reality that modern organizations increasingly operate as technology-driven enterprises, where digital capabilities directly influence business performance and customer satisfaction.

The Information and Technology dimension highlights the essential role of digital infrastructure, data resources, and technological innovation in enabling modern service management. Technology foundations provide the platforms on which digital services operate, while AI and automation enhance operational efficiency and predictive capabilities.

Effective management of data, information, and knowledge enables organizations to make informed decisions and continuously improve service performance. By integrating these capabilities, organizations can leverage technology as a strategic enabler of value creation.

As ITIL evolves from ITIL 4 to ITIL Version 5, the importance of this dimension continues to grow. Technology is no longer simply a supporting element of service management—it is now a central driver of digital product innovation, intelligent operations, and value co-creation within modern digital ecosystems.

Partners and Suppliers Dimension

Modern digital products and services are rarely delivered entirely within the boundaries of a single organization. Most organizations depend on a network of external entities that provide specialized capabilities, infrastructure, technology platforms, and operational support. The Partners and Suppliers dimension of the ITIL Four Dimensions model addresses how organizations manage these relationships to support effective value creation.

Partners and suppliers contribute resources, expertise, and services that complement internal capabilities. These external entities may provide technology platforms, cloud services, consulting expertise, application development support, infrastructure management, or operational services. As digital ecosystems continue to expand, the role of external collaboration has become increasingly critical.

The purpose of this dimension is to ensure that relationships with external organizations are structured, governed, and managed in ways that support the organization's strategic objectives and service outcomes.

In ITIL 4, the Partners and Suppliers dimension already recognizes the importance of supplier management and outsourcing arrangements. ITIL Version 5 expands this concept by emphasizing broader ecosystem collaboration, digital platform partnerships, and complex service networks that characterize modern digital service environments.

The key elements within this dimension include service relationships, along with supplier relationships, sourcing models, and ecosystem collaboration, reflecting how value is co-created across interconnected stakeholders.

Component 1: Service Relationships

Service relationships represent the interactions between service providers, consumers, and other stakeholders involved in the co-creation of value. They encompass how organizations collaborate, define roles, manage expectations, and share responsibilities across the service lifecycle.

These relationships can range from formal contractual engagements to integrated partnerships, and they play a critical role in managing costs, risks, and outcomes while ensuring alignment with stakeholder needs and expectations.

Component 2: Supplier Relationships

Supplier relationships represent the formal and informal interactions between an organization and the external entities that provide products or services supporting its operations. Effective supplier relationships are essential for ensuring that externally provided services meet performance expectations, comply with regulatory requirements, and align with the organization's value objectives.

Supplier relationships can vary significantly in scope and complexity. Some relationships involve simple procurement of standardized products, while others involve long-term strategic partnerships where suppliers play an integral role in delivering critical digital services.

Successful supplier relationship management involves several important practices, including:

- Clearly defined contractual agreements and service expectations,
- Performance monitoring and service level management,
- Regular communication and collaboration between organizations,
- Risk management and compliance oversight, and
- Alignment of supplier capabilities with business objectives.

Organizations must also maintain visibility into how supplier services integrate with their internal systems and workflows. This is particularly important in digital environments where multiple vendors may contribute to a single service offering.

In ITIL 4, supplier management was treated primarily as a management practice focused on managing supplier performance and contracts. ITIL Version 5 broadens the perspective, emphasizing collaborative partnerships and integrated service ecosystems rather than purely transactional supplier relationships.

Strong supplier relationships enable organizations to maintain service reliability, improve operational efficiency, and accelerate innovation by leveraging external expertise.

Component 3: Sourcing Models

Organizations must decide how to obtain the resources and capabilities required to deliver digital products and services. These decisions are guided

by sourcing models, which define how services or service components are provided.

Common sourcing models include:

- **Insourcing** : Services are delivered internally using the organization's own resources and personnel.
- **Outsourcing** : External providers are contracted to deliver specific services or operational functions.
- **Co-sourcing** : Internal teams collaborate with external partners to deliver services jointly.
- **Cloud-based Sourcing** : Digital capabilities are obtained through cloud platforms such as infrastructure-as-a-service, platform-as-a-service, or software-as-a-service models.

Each sourcing model has advantages and trade-offs. Insourcing allows organizations to maintain greater control over service delivery, while outsourcing can provide access to specialized expertise and scalable resources. Hybrid sourcing approaches are increasingly common, where organizations combine internal capabilities with external providers to optimize performance and cost efficiency.

The choice of sourcing model is influenced by several factors, including:

- Organizational strategy and core competencies,
- Cost considerations and resource availability,
- Regulatory requirements and risk tolerance,
- Technological complexity and required expertise, and
- Service criticality and business impact.

In ITIL 4, sourcing strategies were considered primarily within the context of supplier management. ITIL Version 5 expands this perspective by highlighting the strategic importance of sourcing decisions in digital ecosystems, particularly where cloud services, platform providers, and digital marketplaces form essential parts of service delivery.

Organizations must therefore evaluate sourcing models carefully to ensure that external dependencies do not introduce unacceptable operational risks.

Component 4: Ecosystem Collaboration

One of the defining characteristics of modern digital environments is the emergence of ecosystem-based service delivery models. Rather than operating independently, organizations increasingly participate in interconnected ecosystems that include technology vendors, platform providers, developers, service integrators, and other partners.

Digital platforms often act as hubs that connect multiple participants within these ecosystems. For example, a cloud platform may host applications developed by independent vendors while also integrating services from payment providers, data analytics companies, and infrastructure providers.

In such ecosystems, value is rarely created by a single organization alone. Instead, value emerges through the collaborative contributions of multiple participants, each providing specialized capabilities.

Effective ecosystem collaboration requires organizations to establish governance mechanisms that support coordination and alignment across participants. Key considerations include:

- Defining shared objectives and responsibilities,
- Ensuring interoperability between technology platforms,
- Managing data exchange and security requirements,
- Maintaining transparency and accountability across participants, and
- Aligning ecosystem activities with customer outcomes.

In ITIL 4, collaboration with partners was already recognized as an important aspect of service management. However, ITIL Version 5 places greater emphasis on ecosystem thinking, reflecting the reality that modern digital services are often delivered through networks of organizations rather than through single providers.

This shift highlights the importance of service integration and management capabilities, where organizations coordinate with multiple suppliers to deliver seamless services to customers.

The Partners and Suppliers dimension highlights the critical role of external collaboration in DPSM. Organizations increasingly rely on partners, vendors, and service providers to deliver specialized capabilities that support digital service delivery.

By managing supplier relationships effectively, selecting appropriate sourcing models, and participating in collaborative service ecosystems, organizations can extend their capabilities beyond internal resources and accelerate innovation.

While ITIL 4 introduced the importance of supplier and partner relationships, ITIL Version 5 expands this concept to address the complex digital ecosystems that characterize modern service environments.

Understanding how to manage these external relationships effectively is therefore essential for organizations seeking to deliver reliable, scalable, and innovative digital products and services in today's interconnected world.

Value Streams and Processes Dimension

The Value Streams and Processes dimension of the ITIL Four Dimensions model focuses on how organizational activities are structured and coordinated to create value through digital products and services. While the other dimensions address people, technology, and external collaboration, this dimension ensures that workflows and operational processes transform inputs into meaningful outcomes for customers and stakeholders.

In any organization, numerous activities occur simultaneously, including development work, operational support, service requests, supplier coordination, and customer interactions. Without structured workflows and clearly defined processes, these activities may become fragmented, inefficient, or difficult to manage. The Value Streams and Processes dimension, therefore, ensures that work is organized in a way that supports efficiency, transparency, and consistent service delivery.

In ITIL 4, value streams were introduced as a key concept within the Service Value Chain, illustrating how value chain activities interact to create value. While these activities may align with lifecycle elements, the value chain and lifecycle remain distinct concepts. ITIL Version 5 builds on this by emphasizing the role of value streams in orchestrating end-to-end activities and enabling continuous value delivery across complex digital ecosystems. The key components of this dimension include workflow design, process optimization, and managing complexity.

Component 1: Workflow Design

Workflow design refers to the structured arrangement of activities that transform inputs into outputs and ultimately deliver outcomes for service consumers. A workflow defines the sequence of steps required to complete a task, including responsibilities, decision points, and information flows.

Effective workflow design is essential for ensuring that services are delivered efficiently and consistently. Well-structured workflows reduce ambiguity, clarify responsibilities, and enable teams to coordinate their activities effectively.

For example, the workflow for handling an incident may involve the following steps:

- Incident detection or reporting,
- Incident logging and categorization,
- Investigation and diagnosis,
- Resolution and recovery,
- Communication with affected users, and
- Closure and documentation.

Each step involves specific roles, tools, and decision points that ensure the incident is resolved efficiently and the service is restored.

Modern digital organizations often design workflows that span multiple teams and technologies. DevOps environments, for instance, integrate workflows across development, testing, deployment, and operations teams to enable rapid delivery of new digital capabilities.

In ITIL 4, workflows were typically embedded within service management practices and value stream activities. ITIL Version 5 places a stronger emphasis on designing workflows across the entire lifecycle of digital products and services, ensuring that value flows smoothly from concept through design, development, deployment, and operation.

Therefore, effective workflow design supports agility, transparency, and coordinated collaboration across organizational functions.

Component 2: Process Optimization

Processes represent structured sets of activities designed to achieve specific objectives in a repeatable and controlled manner. While workflows describe

how work flows through the organization, processes define standardized methods for performing recurring tasks consistently and efficiently.

Process optimization focuses on improving the effectiveness and efficiency of these processes. Organizations continuously analyze their processes to identify bottlenecks, eliminate unnecessary steps, and improve service performance.

Common techniques used in process optimization include:

- Performance measurement and monitoring,
- Process mapping and analysis,
- Automation of repetitive activities,
- Integration of digital tools and platforms, and
- Continual improvement initiatives.

For example, an organization may analyze its service request fulfillment process and identify opportunities to automate routine requests such as password resets or system access approvals. Automation reduces manual effort, accelerates service delivery, and improves user satisfaction.

In ITIL 4, processes were closely associated with management practices, which provided structured approaches for certain activities such as: incident management, change enablement, and service request management. These practices standardize operations and improve service quality.

In ITIL Version 5, optimization extends beyond individual processes to a broader, holistic perspective. Rather than improving processes in isolation, organizations are encouraged to consider all four dimensions and adopt a practice-based view, ensuring alignment across the SVS. This includes optimizing value streams end-to-end, enabling improved service delivery, better customer outcomes, and maturity-driven continual improvement across the entire ITIL ecosystem.

This broader perspective reflects the reality that digital services often depend on multiple interconnected processes operating across teams and technologies.

Managing Complexity

Modern digital service environments are inherently complex. Organizations must manage large numbers of interconnected technologies, distributed teams, external suppliers, and evolving customer expectations. As services become more integrated and digital ecosystems expand, managing operational complexity becomes a critical capability.

The Value Streams and Processes dimension helps organizations to manage complexity by ensuring that workflows and processes remain structured, transparent, and adaptable.

In ITIL, contextual variations are described as four broad categories, including “ordered,” “complex,” “chaotic,” and “confused.”

Complexity Thinking

An approach to analysis and decision-making based on the recognition and understanding of the various levels of complexity inherent in the systems and the context in which they operate.

- A **confused** context represents the starting point at which the nature of a system is not yet understood.
- In **ordered** contexts, cause-and-effect relationships are known or knowable.
- **Complex** contexts are fundamentally different. Here, cause-and-effect relationships can only be understood in retrospect.
- **Chaotic** contexts represent crises requiring immediate action.

Several factors contribute to the complexity in digital service environments, including:

- Integration between multiple technology platforms,
- Dependencies across internal teams and external suppliers,
- Rapidly changing customer requirements,
- Regulatory and compliance obligations, and
- Continuous deployment of new digital capabilities.

Without effective coordination mechanisms, these factors can create operational inefficiencies, communication breakdowns, and service disruptions.

Organizations address complexity by adopting practices such as:

- Clear documentation of value streams and workflows,
- Automation of routine operational tasks,
- Standardized processes for recurring activities,
- Monitoring and analytics to identify performance issues, and
- Cross-functional collaboration between teams.

Another important approach to managing complexity is value stream visualization, where organizations map the entire sequence of activities involved in delivering a service. This visualization identifies dependencies, bottlenecks, and improvement opportunities across the system.

The Value Streams and Processes dimension ensures that the activities required to deliver digital products and services are structured, coordinated, and continuously improved. Through effective workflow design, organizations can organize work to support collaboration and transparency. Process optimization enables teams to improve efficiency, reduce waste, and enhance service performance.

Managing complexity is particularly important in modern digital ecosystems, in which services depend on multiple technologies, teams, and partners. By designing clear workflows, optimizing processes, and adopting system-level perspectives, organizations can ensure that value flows efficiently from service providers to consumers.

While ITIL 4 introduced value streams as a key element of the SVS, ITIL Version 5 strengthens their importance within DPSM, recognizing that coordinated workflows and optimized processes are essential for delivering reliable, scalable, and continuously evolving digital services.

External Influencing Factors (PESTLE)

Organizations do not operate in isolation. The design, delivery, and management of digital products and services are influenced by a wide range of external environmental factors that shape organizational priorities, technology adoption, regulatory compliance, and customer expectations. Understanding these influences is essential for ensuring that service management strategies remain aligned with broader business and societal environments.

Within the ITIL framework, the Four Dimensions model allows organizations to consider internal and external elements that influence service delivery. External influences often arise from factors beyond the organization's direct control, yet they can significantly affect how services are designed, managed, and improved.

One widely used approach for analyzing external influences is the PESTLE framework, which examines the Political, Economic, Social, Technological, Legal, and Environmental factors that impact organizations. By understanding these factors, organizations can adapt their service management strategies and ensure that digital products and services remain sustainable and resilient.



Figure 3.2: *PESTLE Framework*

In ITIL 4, external influences were acknowledged as factors that could affect service management practices and organizational strategy. ITIL Version 5 places greater emphasis on these influences, particularly in the context of digital ecosystems, sustainability, regulatory environments, and global technology adoption.

Political Factors

Political environments influence how organizations operate within different regions and industries. Government policies, national technology strategies, and geopolitical relationships can all affect the availability of digital services, technology infrastructure, and cross-border collaboration.

For example, government investment in digital infrastructure can accelerate the adoption of cloud platforms and digital services. Conversely, political restrictions on data sharing or technology transfer may impose limitations on how organizations manage global service operations.

Organizations must therefore remain aware of political developments that could influence their sourcing strategies, supplier relationships, or regulatory obligations.

Economic Factors

Economic factors influence the financial environment in which organizations design, deliver, and improve digital products and services. Conditions such as inflation, interest rates, market growth, exchange-rate volatility, labor costs, and overall economic stability can directly affect investment decisions, sourcing models, operating costs, and customer demand.

For example, during periods of economic uncertainty, organizations may prioritize cost optimization, automation, and cloud-based services to improve efficiency and control expenditure. In stronger economic conditions, they may invest more aggressively in innovation, platform modernization, and digital transformation initiatives.

Economic factors also influence customer expectations and spending behavior. Customers may demand lower-cost digital services, flexible pricing models, or greater value from existing service relationships. As a result, service providers must balance cost efficiency, service quality, resilience, and innovation.

In ITIL 4, economic influences were implicitly considered within the broader context of organizational strategy and service value. In ITIL Version 5, economic considerations become more visible because DPSM requires closer alignment between investment decisions, ecosystem dependencies, and sustainable value creation.

Social Factors

Social factors reflect the expectations, behaviors, and cultural values of the communities and customers served by an organization. These factors influence how users interact with digital products and what they expect from service providers.

For example, customers increasingly expect digital services to be accessible, intuitive, responsive, and available across multiple devices and channels. Social expectations also influence how organizations address issues such as accessibility, inclusivity, and ethical technology use.

The growing emphasis on CX and UX reflects the influence of social expectations on digital service management.

In ITIL 4, service design already emphasizes the importance of understanding customer needs and expectations. ITIL Version 5 strengthens this perspective, recognizing that digital products must evolve continuously in response to the changing user behaviors and expectations.

Technological Factors

Technological innovation is one of the most powerful forces shaping modern service management environments. Advances in cloud computing, AI, automation, and data analytics continue to transform how digital services are designed and delivered.

New technologies enable organizations to improve service efficiency, scalability, and responsiveness. However, rapid technological change also introduces challenges related to system integration, cybersecurity risks, and the need for continuous skill development.

Organizations must therefore maintain technology strategies that support innovation while ensuring operational stability and security.

While ITIL 4 recognized the importance of digital technologies, ITIL Version 5 further highlights the strategic role of technologies such as AI, automation, and digital platforms in enabling intelligent service operations and digital product management.

Legal Factors

Legal and regulatory frameworks define the rules within which organizations must operate. These regulations may address areas such as

data protection, cybersecurity, financial reporting, environmental compliance, and consumer protection.

Digital service providers must ensure that their operations comply with applicable laws and industry regulations. Failure to comply can result in financial penalties, reputational damage, and operational disruption.

For example, regulations related to data privacy may influence how organizations manage customer data, store information, or share data across international boundaries.

Thus, service management practices must integrate compliance requirements into operational workflows and governance frameworks.

Environmental Factors

Environmental considerations are becoming increasingly important in modern business environments. Organizations are under growing pressure from regulators, customers, and stakeholders to reduce environmental impact and adopt sustainable practices.

Digital infrastructure, particularly large data centers and cloud environments, consumes significant amounts of energy. As a result, organizations are exploring ways to improve energy efficiency, reduce electronic waste, and adopt environmentally responsible technology practices.

In ITIL Version 5, sustainability is more explicitly recognized as a strategic consideration in service management. Organizations are encouraged to balance technological innovation with environmental responsibility to support long-term sustainability.

Balancing the Four Dimensions for Sustainable Value Creation

While external factors influence service management environments, organizations must also ensure that their internal capabilities remain balanced. The Four Dimensions model provides a framework for maintaining this balance across the key areas of the organization.

Each dimension contributes to value creation in the following ways:

- **The Organizations and People Dimension** ensures that teams possess the skills, culture, and leadership required to manage services effectively.
- **The Information and Technology Dimension** provides the digital infrastructure and tools that enable service delivery and innovation.
- **The Partners and Suppliers Dimension** extends organizational capabilities through collaboration and external expertise.
- **The Value Streams and Processes Dimension** coordinates workflows and operational activities required to deliver services.

If any dimension becomes misaligned, service delivery may be negatively affected. For example, advanced technology platforms may fail to deliver value if employees lack the skills to manage them effectively. Similarly, efficient internal processes may not produce the desired outcomes if supplier relationships are poorly managed.

Balancing these dimensions ensures that organizations can respond effectively to external influences while maintaining operational stability and customer satisfaction.

Sustainable Value Creation

Sustainable value creation requires organizations to consider both short-term operational performance and long-term strategic impact. By understanding external influences through the PESTLE framework and balancing the four dimensions of service management, organizations can build resilient systems that are capable of adapting to the changing environments.

While ITIL 4 introduced the Four Dimensions model as a framework for holistic service management, ITIL Version 5 reinforces its importance within digital ecosystems, where organizations must manage complex technology platforms, global partnerships, regulatory requirements, and evolving customer expectations.

Thus, by maintaining alignment across people, technology, partners, and workflows, organizations can deliver digital products and services that create consistent, reliable, and sustainable value for customers and stakeholders.

Conclusion

This chapter examined ITIL's Four Dimensions of Product and Service Management, which is a foundational framework that ensures organizations adopt a holistic approach to delivering digital products and services. Rather than focusing solely on processes or technology, the Four Dimensions model highlights the importance of balancing people, technology, partners, and value streams to enable effective value creation.

The chapter explained the model's purpose and emphasized why silo-based approaches are insufficient in modern digital environments. It explored each dimension in detail. The Organizations and People dimension focused on culture, leadership, skills, and organizational structures, including the growing collaboration between humans and intelligent systems. The Information and Technology dimension highlighted the role of digital platforms, data, automation, and AI in enabling service delivery. The Partners and Suppliers dimension examined sourcing models and ecosystem collaboration, while the Value Streams and Processes dimension explained how workflows and processes must be optimized to manage complexity and deliver outcomes.

The chapter also introduced the PESTLE framework, illustrating how external factors influence service management strategies. While introduced in ITIL 4, the Four Dimensions model becomes even more significant in ITIL Version 5, supporting DPSM and enabling organizations to deliver sustainable value in complex digital ecosystems.

In the next chapter, we will cover the essential concepts that define DPSM in ITIL Version 5.

Multiple Choice Questions

1. What is the primary purpose of the ITIL Four Dimensions model?
    a. To define the service lifecycle stages
    b. To ensure a balanced and holistic approach to service management
    c. To manage supplier contracts
    d. To define IT governance policies
2. Which of the following is NOT one of the ITIL Four Dimensions?
    a. Organizations and People

b. Information and Technology
c. Service Portfolio Management
d. Partners and Suppliers

3. Which dimension focuses on organizational culture, leadership, and workforce competencies?

a. Information and Technology
b. Organizations and People
c. Value Streams and Processes
d. Partners and Suppliers

4. In ITIL, value streams primarily describe:

a. Financial flows within the organization
b. Sequences of activities that create value for customers
c. Supplier contract structures
d. Technology architecture design

5. Which framework is commonly used to analyze external environmental factors influencing service management?

a. SWOT
b. PESTLE
c. RACI
d. PDCA

6. Which dimension focuses on managing supplier relationships and sourcing strategies?

a. Value Streams and Processes
b. Information and Technology
c. Partners and Suppliers
d. Organizations and People

7. In modern digital environments, AI and automation primarily contribute to:

a. Eliminating the need for human oversight

b. Improving operational efficiency and predictive capabilities
c. Replacing service management frameworks
d. Removing supplier dependencies

8. In ITIL Version 5, the Four Dimensions model is expanded to support:
   a. Infrastructure management only
   b. Digital Product and Service Management (DPSM) lifecycle
   c. Financial accounting processes
   d. Vendor procurement activities
9. Which of the following is a key benefit of adopting a holistic approach to service management?
   a. Eliminates the need for governance
   b. Prevents the need for external suppliers
   c. Reduces siloed decision-making
   d. Eliminates organizational structure
10. Which of the following factors belongs to the PESTLE framework?
    a. Cultural factors
    b. Operational factors
    c. Technological factors
    d. Process factors

Answers

1. b
2. c
3. b
4. b
5. b
6. c
7. b
8. b

9. c
10. c

Questions

1. Explain the purpose and importance of the ITIL Four Dimensions model in Digital Product and Service Management (DPSM).
2. Why is a holistic approach necessary in modern digital service environments?
3. Describe the Organizations and People dimension and its key components.
4. Explain how Information and Technology enable value creation in service management.
5. Discuss the role of Artificial Intelligence (AI) and automation in modern service management environments.
6. Explain the importance of supplier relationships and sourcing models in the Partners and Suppliers dimension.
7. Describe the concept of ecosystem collaboration in digital service environments.
8. Explain how value streams and processes contribute to efficient service delivery.
9. Discuss the role of the PESTLE framework in understanding external influences on service management.
10. Explain how organizations can balance the Four Dimensions to achieve sustainable value creation.

Key Terms

- **Systems Thinking:** Systems thinking is an approach that views an organization as an interconnected system where people, processes, technology, and partners interact to create value. It emphasizes understanding how changes in one component can influence the performance and outcomes of the entire system.
- **Four Dimensions Model:** A framework in ITIL that ensures a balanced approach to service management by considering organizations

and people, information and technology, partners and suppliers, and value streams and processes.

- **Organizations and People:** The dimension that focuses on organizational culture, leadership, competencies, roles, and structures required to manage digital services effectively.
- **Information and Technology:** The dimension that includes digital infrastructure, applications, data, automation tools, and technologies used to enable service delivery.
- **Partners and Suppliers:** The dimension that addresses relationships with external organizations providing products, services, or expertise supporting service delivery.
- **Value Streams:** End-to-end sequences of activities that transform inputs into outputs and deliver value to customers.
- **Processes:** Structured sets of activities designed to accomplish specific objectives in a repeatable and controlled manner.
- **Workflow:** The defined sequence of tasks and activities required to complete a specific operational objective.
- **Artificial Intelligence (AI):** Technology that enables systems to analyze data, recognize patterns, and support automated or intelligent decision-making.
- **Automation:** The use of technology to perform tasks with minimal human intervention.
- **PESTLE Framework:** A strategic analysis model used to evaluate the Political, Economic, Social, Technological, Legal, and Environmental factors influencing organizations.
- **Ecosystem Collaboration:** A service delivery model where multiple organizations collaborate within interconnected digital environments to co-create value.
- **Digital Product and Service Management (DPSM):** An approach in ITIL Version 5 that integrates product management, service management, and lifecycle management to deliver continuous value through digital services.

CHAPTER 4

Key Concepts of Digital Product and Service Management

Introduction

This chapter will introduce the core concepts that define Digital Product and Service Management (DPSM) in the Information Technology Infrastructure Library (ITIL) Version 5, establishing the foundation for understanding how organizations design, deliver, and continually improve digital services in a value-driven economy. It explains the shift toward a service economy, in which organizations compete based on outcomes and experiences rather than technology alone.

The chapter describes how digital products and services deliver value through structured service offerings that combine goods, access to resources, and service actions. Key concepts such as value, outputs, outcomes, costs, and risks are clarified, emphasizing value co-creation between service providers and consumers.

It also explores utility and warranty, sustainability, service relationships, and the service journey, illustrating how services evolve through stakeholder interactions. These concepts prepare readers to understand lifecycle management, value streams, governance, and continual improvement in later chapters.

Structure

In this chapter, we will cover the following topics:

- The Service Economy and Digital Organizations
- Digital Products and Digital Services
- Service Offerings and Their Components
- Value and Value Co-creation

- Outputs versus Outcomes
- Costs and Risks in Service Management
- Utility and Warranty
- User Experience (UX) and Sustainability
- Service Relationships and Stakeholder Roles
- Types of Service Relationships
- The Service Journey Concept
- Service Quality and Service Level Agreements (SLAs)

The Service Economy and Digital Organizations

The global business environment has undergone a significant transformation over the past two decades. Organizations are no longer defined primarily by the physical products they manufacture or the infrastructure they operate. Instead, they increasingly compete based on their ability to deliver services that create meaningful value for customers and stakeholders. This transformation has given rise to what is widely known as the service economy.

In the service economy, value is created not simply through ownership of products but also through access to capabilities, experiences, and outcomes enabled by services. Digital technologies have accelerated this transformation, enabling organizations to design, deliver, and manage services in ways that were previously impossible.

Understanding the relationship between the service economy and digital organizations is therefore essential for understanding modern DPSM, which forms a core concept in ITIL Version 5.

Understanding the Service Economy

The service economy refers to an economic model in which services represent the primary source of value creation and economic growth. In this model, organizations increasingly focus on delivering capabilities, expertise, and experiences rather than simply selling physical goods.

For example:

- Transportation companies now provide mobility services rather than merely selling vehicles.
- Software vendors increasingly deliver Software-as-a-Service (SaaS) rather than packaged software products.
- Media companies offer digital streaming services rather than distributing physical media.

These examples illustrate how organizations create value by enabling outcomes through services rather than through traditional product ownership.

Within the service economy, customers often seek convenience, accessibility, and continuous service availability, which are enabled through digital platforms and connected technologies.

Digital Transformation and Service-Based Models

Digital technologies have significantly expanded the possibilities of the service economy. Technologies such as cloud computing, Artificial Intelligence (AI), mobile platforms, and data analytics allow organizations to deliver services on a global scale with unprecedented speed and flexibility.

Digital transformation enables organizations to:

- Deliver services through digital platforms,
- Provide real-time access to information and capabilities,
- Continuously improve services using data and analytics, and
- Create interconnected service ecosystems.

As discussed in *Chapter 3, ITIL Four Dimensions of Product and Service Management* , the rapid evolution of digital technologies has shifted organizational focus from traditional Information Technology (IT) operations toward DPSM. Digital organizations must therefore manage services not only as technical systems but also as integrated value propositions that support business outcomes.

Digital Organizations in the Service Economy

A digital organization is an enterprise that relies on digital technologies and data-driven processes to deliver value through digital products and services. These organizations operate within highly interconnected digital ecosystems that include customers, partners, suppliers, and technology platforms.

Digital organizations are characterized by the following key capabilities:

- Rapid innovation and continuous delivery
- Scalable digital infrastructure
- Data-driven decision-making
- Platform-based service delivery
- Ecosystem collaboration

For example, a cloud services provider operates as a digital organization by delivering computing resources through digital platforms that allow customers to scale infrastructure dynamically. Similarly, a digital banking platform provides financial services through mobile applications and online interfaces rather than through traditional branch-based interactions.

These organizations rely heavily on service management practices to ensure that digital services remain reliable, secure, and aligned with customer expectations.

The idea of the service economy is not entirely new. ITIL 4 already emphasized the importance of services as the primary mechanism through which organizations enable value creation. ITIL 4 introduced the concept of value co-creation, highlighting that value emerges through collaboration between service providers and service consumers.

In ITIL 4, organizations were encouraged to design services that enable outcomes while managing costs and risks. The framework also emphasized the importance of service relationships and value streams in delivering services effectively.

However, ITIL 4 primarily described these concepts within the context of service management practices and the Service Value System (SVS).

ITIL Version 5 builds upon the foundation established in ITIL 4 but introduces a stronger emphasis on DPSM. This reflects the realities of modern digital organizations, where services are delivered through complex

combinations of digital platforms, cloud infrastructure, and interconnected partner ecosystems.

As discussed earlier in this book, ITIL Version 5 recognizes that services are increasingly delivered as part of digital value networks, where multiple organizations collaborate to provide integrated capabilities.

This shift requires organizations to adopt management approaches that support:

- Lifecycle management of digital products and services,
- Integration across multiple service providers and technology platforms,
- Continuous innovation and rapid service evolution, and
- Data-driven service optimization.

By incorporating these perspectives, ITIL Version 5 aligns service management with the needs of modern digital enterprises.

Value Creation in the Service Economy

Within the service economy, value is created through the ability of services to enable the desired outcomes for stakeholders. This aligns with the concept of value co-creation, which emphasizes collaboration between service providers and service consumers.

For example, a cloud infrastructure service provider supplies computing resources, while the customer uses those resources to build applications and deliver services to their own users. In this scenario, value emerges through the interaction between both parties.

Therefore, digital organizations must focus on enabling value across the entire service lifecycle, including service design, delivery, support, and continual improvement.

Importance of Modern Service Management

The shift toward a service economy requires organizations to rethink how services are designed and managed. Traditional Information Technology (IT) management approaches that focus solely on infrastructure operations are no longer sufficient.

Modern service management must support the following:

- Digital service innovation
- Platform-based ecosystems
- Experience-driven service design
- Collaboration across multiple stakeholders
- Continual improvement of digital capabilities

These capabilities allow organizations to remain competitive in rapidly evolving digital markets.

Digital Products and Digital Services

The rapid evolution of digital technologies has significantly changed how organizations create value for customers and stakeholders. As discussed earlier, modern enterprises increasingly rely on digital technologies not only to support internal operations but also to enable new business models, digital experiences, and innovative service offerings. This transformation has led organizations to move beyond traditional IT service management toward a broader discipline known as DPSM.

Within this context, understanding the relationship between digital products and digital services is essential. These two concepts form the structural foundation of modern service management frameworks, including ITIL Version 5.

Digital Products

A digital product can be understood as a combination of organizational resources built upon digital technologies and designed to deliver value to customers or users. These resources may include software applications, data platforms, digital infrastructures, algorithms, and cloud-based technologies that form a coherent capability.

Digital products are typically designed to support or enable services. They represent the technological foundation through which organizations provide capabilities to service consumers.

Examples of digital products include:

- Mobile banking applications
- Cloud computing platforms
- Online retail platforms
- Digital payment systems
- AI–based analytics tools
- Digital collaboration platforms

Unlike traditional physical products, digital products can evolve continuously. They are often updated through iterative development cycles, new features, security enhancements, and performance improvements. This ability to adapt rapidly is one of the defining characteristics of digital products.

As highlighted in the official ITIL guidance, organizations today often organize their capabilities around digital product portfolios, where each product supports a set of services and experiences delivered to users.

Digital Services

A digital service refers to a service that is enabled or delivered primarily through digital technologies. Digital services allow service consumers to achieve desired outcomes without managing the underlying technological resources, associated costs, or operational risks.

Digital services typically interact with users through digital interfaces such as web portals, mobile applications, APIs, or integrated enterprise systems.

Examples of digital services include:

- Online banking services
- Cloud storage and computing services
- Digital entertainment streaming services
- Ride-sharing platforms
- Online education platforms
- Digital healthcare consultation services

Digital services often operate continuously and are accessible globally, enabling users to interact with organizations anytime and from any location.

In the digital economy, these services frequently become the primary interface between organizations and their customers.

As explained earlier, services create value by enabling outcomes for service consumers while the provider manages the associated complexity, risks, and operational responsibilities.

Relationship between Digital Products and Digital Services

Digital products and digital services are closely interconnected. In most modern organizations, digital services are delivered through digital products that provide the underlying technological capabilities.

This relationship can be understood through the following simple structural flow:

Technology Resources → Digital Products → Service Offerings → Digital Services

Digital products act as the technological enablers, while digital services represent the consumer-facing capabilities that allow users to achieve the desired outcomes.

For example:

- A cloud infrastructure platform (digital product) enables cloud computing services (digital service).
- A mobile banking application (digital product) enables digital banking services (digital service).
- A digital commerce platform (digital product) enables online retail services (digital service).

In this model, the digital product provides the capabilities that make service delivery possible, while the digital service represents how those capabilities are consumed by users.

This perspective reflects the growing integration between product management and service management in modern digital organizations.

Digital Product and Service Management (DPSM)

In ITIL Version 5, the management of digital products and digital services is treated as an integrated discipline. Organizations must coordinate strategy, development, operations, and service management activities across the entire lifecycle of digital capabilities.

This approach differs slightly from the emphasis in ITIL 4, where service management was primarily viewed through the SVS and service lifecycle practices. While ITIL 4 already recognized the role of digital technologies, ITIL Version 5 places stronger emphasis on digital product thinking and lifecycle integration.

The official ITIL guidance highlights that organizations increasingly design and manage their capabilities through a digital product and service lifecycle model, which connects strategic planning, product development, service delivery, and continual improvement.

This lifecycle perspective ensures that digital products and services evolve continuously in response to changing customer needs, technological innovations, and business strategies.

Digital Experiences and Value Creation

Another important aspect of digital products and services is their role in enabling digital experiences. As organizations operate in highly competitive digital markets, the quality of the user experience often becomes a key differentiator.

Digital products and services, therefore, must be designed not only for functional performance but also for:

- Usability and accessibility,
- Reliability and performance,
- Security and trust,
- Personalization and responsiveness, and
- Seamless interaction across digital channels.

These factors contribute to the overall digital experience delivered to users.

As discussed in earlier chapters, modern service management frameworks emphasize value co-creation, meaning that value emerges through interactions between service providers and service consumers. Digital

products and services enable this interaction by providing platforms through which users access capabilities and participate in service relationships.

Continuous Evolution of Digital Capabilities

One of the defining characteristics of digital products is their ability to evolve continuously. Organizations frequently update digital products to introduce new features, improve performance, address security vulnerabilities, and adapt to the changing market conditions.

This continuous evolution is supported by modern development and operational practices such as:

- Agile development
- DevOps collaboration
- Continuous Integration and Continuous Delivery (CI/CD)
- Automated testing and deployment
- Data-driven service improvement

These practices allow organizations to maintain agility while ensuring reliability and resilience in digital service delivery.

ITIL Version 5 recognizes the importance of this dynamic environment and emphasizes integrated lifecycle management for digital products and services.

Service Offerings and Their Components

In modern digital environments, organizations rarely deliver value through isolated products or technologies. Instead, value is delivered through carefully designed service offerings that combine multiple resources, capabilities, and activities to enable the desired outcomes for service consumers.

As discussed earlier, the evolution of IT service management toward DPSM reflects the growing complexity of digital ecosystems and the need to integrate technology, processes, and stakeholder interactions. Building on the definitions introduced earlier, this section will explain how service offerings act as the practical mechanism through which digital products and digital services deliver value to consumers.

Understanding service offerings is therefore essential for interpreting how value is structured and delivered within the ITIL framework.

Understanding Service Offerings

A service offering represents a structured description of how a service provider enables value for service consumers. It defines the combination of products, resources, and activities that deliver the service experience.

Service offerings are presented to the service consumer in the service catalogue and act as the interface between the service provider and the service consumer, clearly describing what capabilities are available, how they can be accessed, and what outcomes they enable.

In practice, a service offering may include several elements such as digital platforms, operational support activities, service interfaces, and contractual agreements that form the complete service experience.

For example, a cloud storage service offering may include:

- Access to a digital storage platform,
- User Interfaces (UI) for data management,
- Monitoring and support services,
- Security controls and compliance mechanisms, and
- Service level commitments regarding availability and performance.

Combined, these elements define how the service will be consumed and what value it is expected to deliver.

Components of a Service Offering

In ITIL, service offerings are typically composed of the following three primary components:

- Goods
- Access to resources
- Service actions

These components combine to form the complete service experience delivered to consumers.

Goods

Goods refer to tangible or digital items that are transferred from the service provider to the service consumer. Once delivered, the consumer assumes responsibility for using and managing the goods.

Examples of goods include:

- Hardware devices provided as part of a service
- Downloadable software packages
- Digital licenses
- Configuration templates or digital artifacts

While many modern services rely heavily on digital platforms rather than physical products, goods may still form an important part of certain service offerings.

Access to Resources

Access to resources represents the ability of service consumers to use resources that are owned and managed by the service provider.

These resources may include infrastructure, applications, platforms, or data environments that remain under the provider's operational control.

Examples include:

- Access to cloud computing infrastructure.
- Use of a software platform hosted by the provider.
- Access to shared databases or analytics environments.
- Use of digital collaboration tools.

In these scenarios, the consumer benefits from the resource without managing its underlying infrastructure or operational complexity.

Service Actions

Service actions refer to activities performed by the service provider in order to support service consumption and enable the desired outcomes.

These actions may include operational tasks, support functions, monitoring activities, and improvement initiatives that maintain service performance and reliability.

Examples of service actions include:

- System monitoring and incident response,
- Customer support services,
- Maintenance and upgrades,
- Performance optimization, and
- Security monitoring and compliance management.

Service actions ensure that services remain reliable, secure, and aligned with the service consumers' needs.

Relationship between Service Offerings, Digital Products, and Digital Services

As discussed earlier in this chapter, digital products provide the technological foundation that enables digital services. Service offerings act as the mechanism that connects these digital capabilities with the needs of service consumers.

This relationship can be understood as follows:

Digital Products → Service Offerings → Digital Services → Customer Outcomes

Digital products provide the underlying technology. Service offerings organize these capabilities into consumable forms, and digital services represent the experiences and outcomes delivered to consumers.

For example, a digital collaboration platform may function as a digital product. The organization may then create multiple service offerings based on that platform, such as:

- Enterprise collaboration services
- Document management services
- Virtual meeting services

Each offering may combine platform access, technical support, and service-level commitments to deliver the specific outcomes for users.

Service Offerings in ITIL 4 and ITIL Version 5

The concept of "service offerings" was already present in ITIL 4, where it formed part of the service relationship model within the SVS. ITIL 4 emphasized how service providers package resources and capabilities into offerings that consumers can access.

However, ITIL Version 5 expands this perspective by placing service offerings within the broader context of DPSM. In this updated framework, service offerings are more tightly integrated with product lifecycle management and value stream thinking.

Organizations increasingly design service offerings around digital product capabilities, enabling continual improvement and rapid innovation.

This integration reflects the shift described earlier, where organizations move from static service delivery models toward dynamic, product-oriented digital ecosystems.

Role of Service Offerings in Value Creation

Service offerings play a central role in enabling value co-creation, which is a core principle of ITIL.

Rather than delivering value unilaterally, service providers collaborate with service consumers through structured offerings that allow consumers to achieve the desired outcomes. Service offerings therefore define the mechanisms through which resources, capabilities, and expertise are made available.

Effective service offerings should therefore be:

- Clearly defined,
- Aligned with consumer needs,
- Flexible and adaptable,
- Supported by reliable operational processes, and
- Designed to enable measurable outcomes.

Organizations that design well-structured service offerings can improve transparency, enhance customer satisfaction, and enable more efficient service management practices.

Value and Value Co-creation

In modern digital organizations, the ultimate objective of managing products and services is not merely the delivery of technology or operational activities, but the creation of value for customers, users, and other stakeholders. As introduced earlier, value is a central concept within the ITIL framework and forms the foundation of service relationships.

The transition toward DPSM, discussed earlier, further reinforces the importance of value in shaping how organizations design, deliver, and improve their digital capabilities. In highly competitive digital environments, organizations succeed not simply by providing technology, but rather by enabling meaningful outcomes and experiences that generate value for service consumers.

Understanding Value

In the context of service management, value represents the perceived benefits, usefulness, and importance of a product or service to stakeholders. Value is therefore not determined solely by the service provider. Instead, it is shaped by how the service helps consumers achieve their objectives.

Different stakeholders may perceive value differently depending on their needs, expectations, and circumstances. For example:

- A business executive may value improved productivity and strategic outcomes.
- An operational manager may value reliability and efficiency.
- End users may value usability, accessibility, and convenience.

This diversity of perspectives highlights an important principle within ITIL: Value is subjective and context-dependent.

A digital service may be technically sophisticated, but if it does not help users achieve their desired outcomes, its perceived value may remain

limited. Conversely, a simple service that reliably meets the user needs may deliver significant value.

Outcomes, Costs, and Risks

Value is closely linked to the relationship between outcomes, costs, and risks—the concepts that were introduced earlier.

Service consumers seek services that enable them to achieve desired outcomes while minimizing costs and risks. Service providers therefore create value by managing the complexity associated with technology, infrastructure, and operational activities on behalf of consumers.

For example, a cloud computing service allows organizations to access computing resources without managing physical infrastructure, hardware maintenance, or data center operations. By transferring these responsibilities to the service provider, the consumer reduces operational risks and avoids significant capital investment.

In this way, value emerges when services enable consumers to achieve their objectives more effectively and efficiently.

The Concept of Value Co-creation

A fundamental principle within ITIL is that value is co-created through collaboration between service providers and service consumers. Value is not delivered unilaterally by the provider; rather, it emerges through interactions between multiple stakeholders who contribute resources, capabilities, and expertise.

This concept is known as “value co-creation.”

Service providers contribute resources such as technology platforms, infrastructure, knowledge, and operational capabilities. Service consumers contribute their own resources, including information, usage patterns, feedback, and business context.

Through ongoing interaction between these participants, value is generated.

For example, a digital collaboration platform provides technological capabilities such as messaging, document sharing, and virtual meetings. However, the actual value of the platform emerges only when users adopt

its tools, collaborate effectively, and integrate the platform into their workflows.

This collaborative nature of value creation reflects the interconnected nature of modern digital ecosystems.

The concept of value co-creation was already a core principle in ITIL 4, where the SVS emphasized the interactions between organizations, customers, and partners in creating value.

ITIL Version 5 builds upon this concept by integrating value co-creation with DPSM. In this updated framework, digital products, services, platforms, and ecosystems contribute to enabling value creation.

Organizations increasingly operate within complex networks of partners, suppliers, and customers. In such environments, value is rarely created by a single organization alone. Instead, it emerges through collaborative ecosystems that combine multiple capabilities.

This perspective aligns with the broader shift toward platform-based business models, digital marketplaces, and ecosystem-driven innovation.

Role of Service Relationships in Value Creation

Service relationships play a central role in enabling value co-creation. Through service relationships, service providers and service consumers interact, share information, and collaborate to achieve desired outcomes.

These relationships may involve multiple stakeholders, including:

- Service providers
- Service consumers
- Customers
- Users
- Sponsors
- Partners and suppliers

Each participant contributes resources and capabilities that influence the value created through the service.

For example, a digital healthcare platform may involve healthcare providers, technology vendors, patients, and regulatory authorities. Each

participant plays a role in enabling the delivery of healthcare services and shaping the overall value experienced by patients.

Value in the Digital Economy

As discussed earlier, modern organizations operate within a digital and experience economy, where value is increasingly defined by the quality of digital interactions and user experiences.

In this environment, value is often influenced by factors such as:

- User experience and accessibility
- Service reliability and performance
- Security and trust
- Speed and convenience
- Personalization and adaptability

Therefore, organizations must consider both functional value and experiential value when designing digital products and services.

Delivering consistent, reliable, and user-friendly digital experiences becomes a key factor in maintaining customer satisfaction and long-term relationships.

Enabling Value through DPSM

DPSM provides a structured approach for enabling value creation across the entire life cycle of digital capabilities.

Therefore, by integrating product development, service management practices, governance mechanisms, and continual improvement activities, organizations can ensure that their digital products and services remain aligned with stakeholder needs.

This integrated approach enables organizations to:

- Continuously improve digital experiences,
- Respond rapidly to changing market conditions,
- Manage risks and operational complexity, and
- Align digital capabilities with business strategy.

Through these capabilities, organizations can sustain long-term value creation within complex digital ecosystems.

Outputs versus Outcomes

Understanding the distinction between outputs and outcomes is essential for interpreting how value is created through digital products and services. As discussed in the previous section on value and value co-creation, the primary objective of service management is to enable value for stakeholders. However, value is not generated simply by producing deliverables or performing activities. Instead, value emerges when services enable stakeholders to achieve meaningful outcomes.

This distinction between outputs and outcomes is therefore a key concept in DPSM.

Understanding Outputs

An output is a tangible or intangible deliverable produced by an activity or process. Outputs represent the direct result of work performed by an organization, system, or team.

Examples of outputs may include:

- A deployed software application
- A completed service request
- A generated report
- A configured infrastructure component
- A resolved incident ticket

Outputs are often measurable and are typically used to evaluate the performance of operational activities. Many traditional IT management approaches focused heavily on outputs, emphasizing efficiency, process compliance, and operational productivity.

However, outputs alone do not necessarily create value for stakeholders.

For example, deploying a new software system may represent a successful operational output. Yet, if the system does not improve business

performance or user productivity, the actual value delivered may remain limited.

Understanding Outcomes

An outcome refers to the result achieved for a stakeholder as a consequence of using a product or service. Outcomes represent the real-world impact or benefit that stakeholders experience.

Examples of outcomes include:

- Improved business productivity
- Faster customer service response times
- Enhanced decision-making through analytics
- Reduced operational risk
- Improved user experience

Unlike outputs, outcomes are typically linked to business objectives and stakeholder needs. They represent the changes that occur when services enable users or organizations to achieve desired goals.

For example:

- Deploying a collaboration platform is an output.
- Improving teamwork and communication within the organization is the outcome.

This distinction illustrates why organizations must focus not only on delivering outputs but also on ensuring that those outputs enable meaningful outcomes.

The distinction between outputs and outcomes was already emphasized in ITIL 4, where services were defined as a means of enabling value by facilitating outcomes that customers want to achieve without having to manage specific costs and risks.

Within the ITIL 4 SVS, organizations were encouraged to focus on outcomes rather than merely delivering technical deliverables. This approach aligns service management activities with business objectives.

ITIL Version 5 continues this outcome-oriented perspective but integrates it more closely with DPSM.

In modern digital organizations, products and services evolve continuously through agile development, automation, and iterative improvement. As a result, organizations must ensure that digital capabilities consistently deliver outcomes that align with customer expectations and business strategy.

This means that organizations must evaluate performance not only through operational metrics but also through outcome-based indicators, such as:

- Customer satisfaction levels
- Service adoption rates
- Business performance improvements
- User productivity gains
- Digital experience quality

These measures provide deeper insight into the real value created by digital services.

Relationship between Outputs, Outcomes, and Value

Outputs and outcomes play complementary roles in value creation.

Outputs represent the activities and deliverables produced by service providers, while outcomes represent the benefits experienced by service consumers. Value emerges when outputs successfully enable desired outcomes.

This relationship can be illustrated as follows:

Activities → Outputs → Outcomes → Value

For example:

- Infrastructure provisioning produces an output (available computing resources).
- Those resources enable business applications to operate efficiently, generating an outcome (improved productivity).
- Improved productivity contributes to value creation for the organization.

This chain highlights why organizations must ensure that operational outputs are aligned with stakeholder needs.

Managing Outputs and Outcomes in Digital Environments

In modern digital ecosystems, managing the relationship between outputs and outcomes requires close collaboration between multiple organizational functions, including:

- Product management
- Service management
- Development teams
- Operations teams
- Customer experience teams

Organizations must also use data-driven insights to understand how services are used and whether they are producing the intended outcomes.

Modern practices such as DevOps, Agile development, and value stream management support this approach by enabling continuous feedback and iterative improvement.

Thus, by monitoring both outputs and outcomes, organizations can continuously refine their digital products and services to ensure that they deliver measurable value.

Costs and Risks in Service Management

In modern service relationships, organizations do not evaluate services solely based on their functional capabilities. Instead, they assess services based on the balance between the value delivered, the costs incurred, and the risks involved. As discussed earlier, services enable consumers to achieve desired outcomes without having to manage certain costs and risks directly.

Understanding how costs and risks influence service relationships is therefore an essential component of DPSM.

Understanding Costs in Service Management

Costs represent the financial and resource expenditures required to develop, operate, maintain, and improve products and services. Such costs may be incurred by both service providers and service consumers.

For service providers, costs may include:

- Infrastructure and technology investments
- Software development and licensing
- Operational staffing and support teams
- Cybersecurity and compliance activities
- Infrastructure maintenance and upgrades

For service consumers, costs may include:

- Subscription or usage fees
- Training and adoption efforts
- Integration with existing systems
- Operational dependencies on service providers

In traditional IT environments, organizations often had to invest heavily in infrastructure, hardware, and specialized personnel to support technology operations. Modern digital services reduce many of these costs by allowing organizations to consume capabilities through service-based models.

For example, cloud computing services enable organizations to access computing resources without needing to invest in physical data centers. This approach converts large capital expenditures into flexible operational expenses.

Understanding Risks in Service Relationships

Risk refers to the possibility that an event may occur that could negatively affect the achievement of objectives. In service management, risks may arise from technical failures, security incidents, operational disruptions, or external factors.

Examples of risks associated with digital services include:

- Service outages or downtime
- Cybersecurity breaches
- Data loss or corruption
- Regulatory compliance failures
- Vendor dependency risks
- Performance degradation under high demand

Managing these risks is an essential responsibility of service providers. Service consumers rely on providers to implement safeguards, controls, and resilience mechanisms that minimize the likelihood and impact of such risks.

For example, cloud service providers implement redundancy, disaster recovery mechanisms, and cybersecurity controls to ensure that services remain reliable and secure.

Relationship between Costs, Risks, and Value

Costs and risks are closely connected to the concept of "value creation." As discussed in the previous section on outcomes, service consumers evaluate services based on whether they enable desired outcomes efficiently and reliably.

A service delivers strong value when it:

- Enables meaningful outcomes.
- Minimizes costs for the consumer.
- Reduces operational risks.

Conversely, even a technically sophisticated service may deliver limited value if it introduces high costs or exposes consumers to unacceptable risks.

This relationship can be summarized as:

Value = Desired outcomes − (Costs + Risks)

Hence, service providers create value by absorbing, managing, or reducing costs and risks on behalf of service consumers.

For example, a managed cybersecurity service reduces the need for organizations to maintain internal security teams and specialized

infrastructure. By transferring responsibility to a specialized provider, organizations reduce both operational costs and security risks.

In ITIL 4, the concept of service value emphasizes that services aid customers in achieving outcomes without managing specific costs and risks themselves. This perspective shifts service management thinking away from purely operational performance toward business value.

ITIL 4 also emphasized that service relationships involve an exchange where providers manage certain responsibilities while consumers retain others.

ITIL Version 5 continues this principle but places greater emphasis on managing costs and risks within complex digital ecosystems.

Modern digital services often operate within interconnected environments involving multiple technology platforms, cloud providers, suppliers, and regulatory requirements. As a result, organizations must manage risks not only within internal operations but also across partner networks and digital supply chains.

In this context, effective DPSM requires organizations to:

- Identify potential risks across the service lifecycle.
- Implement governance and control mechanisms.
- Ensure transparency in service costs and value delivery.
- Continuously monitor operational performance and risk exposure.

These capabilities enable organizations to maintain trust and reliability in digital service delivery.

Organizations can manage costs and risks in service management through several strategies, including:

- **Automation and Intelligent Monitoring:** Automation reduces operational costs and improves reliability by minimizing manual intervention.
- **Standardization of Services:** Standardized service offerings reduce operational complexity and enable predictable cost structures.
- **Vendor and Supplier Management:** Strong partnerships with suppliers manage risks associated with external dependencies.

- **Resilience and Disaster Recovery Planning:** Redundant infrastructure and recovery strategies reduce the impact of potential service disruptions.
- **Continual Improvement Practices:** Regular evaluation and optimization of services help organizations manage evolving risks and cost structures.

These strategies support the long-term sustainability of digital services.

Role of Governance in Managing Costs and Risks

Governance plays an important role in ensuring that service costs and risks remain aligned with organizational objectives. Governance frameworks provide policies, decision-making structures, and oversight mechanisms that guide how services are designed and managed.

Through effective governance, organizations can ensure that digital products and services remain economically viable, operationally resilient, and strategically aligned with business priorities.

Utility and Warranty

In service management, value is not created simply by delivering technological capabilities or operational outputs. Instead, value emerges when services enable users to achieve meaningful outcomes in a reliable and trustworthy manner. As discussed in the previous sections, the ability of a service to create value depends on both what the service does and how reliably it performs.

Within the ITIL framework, these two aspects of service value are described as utility and warranty. Combined, utility and warranty define the essential characteristics that determine whether a service is truly valuable to its consumers.

Understanding Utility

Utility refers to the functionality offered by a product or service that enables users to achieve the desired outcomes. In simple terms, utility answers the following question:

“Does the service provide the functionality required to meet user needs?”

Utility is therefore often described as “fit for purpose.”

A service delivers utility when it provides capabilities that allow users to perform tasks, solve problems, or achieve specific objectives.

Examples of utility include:

- A cloud storage platform providing secure data storage capabilities.
- A collaboration platform enabling teams to communicate and share documents.
- A data analytics system providing insights for decision-making.
- An online banking platform enabling digital financial transactions.

In each of the preceding examples, the service provides a specific functionality that allows users to accomplish their goals.

However, functionality alone is not sufficient to create value. A service may offer powerful capabilities, but if it is unreliable or difficult to access, the perceived value may be significantly reduced.

This is where warranty becomes important.

Understanding Warranty

Warranty refers to the assurance that a product or service will perform reliably and consistently according to agreed expectations. Warranty addresses factors such as availability, capacity, security, and continuity.

Warranty answers the following question:

“Can the service be trusted to perform consistently when needed?”

Warranty is therefore often described as “fit for use.”

Examples of warranty characteristics include:

- Guaranteed service availability levels.
- Adequate system capacity to handle demand.
- Strong security controls protecting data and transactions.
- Disaster recovery mechanisms ensuring service continuity.
- Responsive support and incident management capabilities.

For example, a cloud storage platform may provide the functionality to store large volumes of data (utility). However, if the platform frequently experiences outages or slow performance, users may not be able to rely on it. In such cases, the service fails to deliver sufficient warranty.

The concepts of “utility” and “warranty” were central to the service value model in ITIL 4, in which services were evaluated based on whether they were both fit for purpose and fit for use.

ITIL 4 emphasized that service providers must ensure that services deliver appropriate functionality while also meeting reliability and performance expectations.

These two elements determined whether a service would successfully enable outcomes for customers.

ITIL Version 5 continues to emphasize utility and warranty as fundamental components of service value, but places them within the broader context of DPSM.

In modern digital ecosystems, services are often delivered through complex platforms that involve multiple technologies, suppliers, and digital infrastructures. As a result, ensuring both utility and warranty requires coordinated management across product development, service operations, and partner ecosystems.

Digital products must therefore be designed not only to provide useful capabilities but also to maintain high levels of reliability, scalability, and security throughout their lifecycle.

Relationship between Utility, Warranty, and Value

Utility and warranty work together to determine the overall value delivered by a service.

- **Utility** enables users to achieve their objectives.
- **Warranty** ensures that the service can be trusted to perform consistently.

A service with strong utility but poor warranty may offer useful functionality yet fail to deliver reliable results. Conversely, a service with a

strong warranty but limited utility may perform reliably yet provide little meaningful capability.

True value emerges only when both utility and warranty are present.

For example:

A digital collaboration platform may provide features such as messaging, document sharing, and virtual meetings (utility). If the platform is consistently available, secure, and capable of supporting large numbers of users without performance degradation (warranty), the service becomes highly valuable for organizations.

Designing Services for Utility and Warranty

Service providers must carefully design digital products and services to ensure that both utility and warranty are achieved. This requires collaboration across multiple organizational functions, including:

- Product development teams
- Service management teams
- Operations and infrastructure teams
- Cybersecurity specialists
- Service support teams

Key considerations include:

- Identifying the capabilities required by users.
- Ensuring system scalability and reliability.
- Implementing strong security controls.
- Monitoring service performance continuously.
- Improving services based on user feedback and operational data.

These practices ensure that services deliver both functional value and operational assurance.

User Experience (UX) and Sustainability

In modern digital environments, organizations are increasingly evaluated not only by the capabilities they provide but also by the quality of the

experiences they deliver and the long-term sustainability of their services. As discussed earlier, the rise of the digital and experience economy has transformed how organizations compete. Customers and users now expect services that are intuitive, responsive, reliable, and accessible across multiple digital channels.

At the same time, organizations must ensure that their digital services are designed and managed to support long-term sustainability, balancing technological innovation with responsible use of resources and environmental considerations. Together, user experience and sustainability represent the two important dimensions of modern service value.

Understanding UX

UX refers to the overall perception and satisfaction that users have when interacting with a product or service. It encompasses how easy, efficient, and enjoyable it is for users to achieve their goals when using a digital system.

User experience includes factors such as:

- Usability and intuitive interface design
- Accessibility across devices and platforms
- Responsiveness and performance
- Clarity of navigation and functionality
- Consistency across digital channels

For example, a digital banking application may provide extensive functionality such as payments, transfers, and financial analytics. However, if users find the interface confusing or difficult to navigate, the overall UX may be poor despite the availability of advanced features.

A positive UX enables users to accomplish tasks efficiently with minimal effort, which directly influences customer satisfaction and adoption of digital services.

Customer Experience (CX) and Service Perception

While UX focuses on interactions with specific systems or interfaces, Customer Experience (CX) reflects the broader perception that customers develop throughout their entire relationship with a service provider.

CX may include interactions across multiple touchpoints such as:

- Digital applications
- Customer support channels
- Onboarding processes
- Service reliability and performance
- Billing and subscription management

These interactions collectively shape how customers perceive the quality and value of a service.

For example, a cloud service provider may offer a powerful digital platform, but if support services are slow or communication is unclear, the overall customer experience may be negatively affected.

Therefore, organizations must design services with a holistic perspective that considers both user experience at the operational level and customer experience across the entire service journey.

The importance of UX and CX was already recognized in ITIL 4, particularly within service design and service relationship management practices. ITIL 4 encouraged organizations to understand customer needs and design services that align with user expectations.

The concept of “value co-creation” also emphasizes that value emerges through interactions between service providers and service consumers, meaning that UX plays an important role in determining the perceived value.

ITIL Version 5 places greater emphasis on experience-driven service management, reflecting the realities of digital platforms and highly competitive digital markets.

Modern digital products and services must be designed with the user at the center. This includes incorporating feedback loops, analytics, and usage data to continuously improve the UX.

Organizations increasingly rely on techniques such as:

- User-centered design
- Customer journey mapping
- Service journey analysis
- Data-driven experience monitoring

These approaches identify friction points in digital interactions and improve service usability and satisfaction.

Understanding Sustainability in Service Management

In addition to delivering excellent experiences, organizations must ensure that their digital services operate in a sustainable and responsible manner. Sustainability refers to the ability to maintain service operations over the long term while minimizing negative environmental, social, and economic impacts.

Digital technologies play a significant role in modern society, but they also consume substantial resources such as energy, computing capacity, and physical infrastructure. As a result, organizations are increasingly expected to adopt sustainable practices when designing and managing digital services.

Examples of sustainability considerations include:

- Reducing energy consumption in data centers.
- Optimizing resource utilization in cloud environments.
- Minimizing electronic waste through efficient device management.
- Designing software systems that operate efficiently.
- Adopting environmentally responsible sourcing practices.

Sustainability also extends beyond environmental considerations to include long-term service viability, ethical technology use, and responsible governance.

While sustainability was acknowledged in earlier service management frameworks, ITIL Version 5 highlights sustainability as an important element of responsible service management.

Organizations are encouraged to integrate sustainability considerations into service design, operational practices, and strategic decision-making. This approach aligns with broader global initiatives that promote environmental responsibility and sustainable digital transformation.

By incorporating sustainability into service management practices, organizations can ensure that digital products and services remain viable and responsible over the long term.

Integrating Experience and Sustainability

UX and sustainability are closely interconnected. Services that are poorly designed or inefficient may waste resources and generate unnecessary operational complexity. Conversely, well-designed digital services can improve both user satisfaction and operational efficiency.

For example, optimizing a digital application to reduce processing overhead can improve system performance for users while also reducing energy consumption within the supporting infrastructure.

Thus, organizations benefit from designing services that balance the following:

- Usability and accessibility
- Operational efficiency
- Environmental responsibility
- Long-term sustainability

This balanced approach supports both customer satisfaction and responsible service management.

Service Relationships and Stakeholder Roles

In modern digital environments, services are rarely delivered in isolation. Instead, they are created and delivered through collaborative relationships between multiple stakeholders—including the emerging role of the digital product vendor in ITIL Version 5—who contribute specialized resources, capabilities, and expertise. As discussed earlier in this chapter, value is not produced solely by a service provider, but rather it emerges through value

co-creation, where providers, consumers, and product-focused partners interact to enable the desired outcomes.

Understanding the roles and responsibilities of different stakeholders in service relationships is therefore essential for effective DPSM.

Understanding Service Relationships

A service relationship represents the interaction between a service provider and a service consumer as they collaborate to create value through the use of products and services. These relationships involve ongoing communication, coordination, and shared responsibilities.

Service relationships typically include activities such as:

- Service provisioning by the provider.
- Service consumption by the consumer.
- Ongoing service management and improvement.
- Monitoring performance and outcomes.
- Exchanging feedback and information.

These interactions allow both parties to align expectations, manage risks, and ensure that services continue to support the desired outcomes.

Service relationships are dynamic and evolve as organizational needs, technologies, and market conditions change.

Service Providers

A service provider is an organization or entity that is responsible for delivering services to service consumers. The service provider designs, builds, operates, and maintains the products and resources required to enable the service.

Service providers typically manage responsibilities such as:

- Developing and maintaining digital products.
- Operating infrastructure and applications.
- Ensuring service reliability and security.
- Monitoring service performance.

- Providing customer support and service management activities.

Service providers may operate internally within an organization or externally as third-party suppliers.

For example, a cloud computing company providing storage and computing capabilities acts as a service provider to organizations that consume those services.

Service Consumers

A service consumer is the entity that receives and uses services provided by a service provider. Service consumers interact with the service to achieve specific outcomes that support their business or personal objectives.

Service consumers may include organizations, business units, or individual users depending on the service context.

In ITIL, the term “service consumer” is often used as a collective term that includes several distinct stakeholder roles, including customers, users, and sponsors.

Customers

A customer is the person or organization that defines the requirements for a service and agrees to the service offering. Customers take responsibility for the outcomes of the service consumption. Customers are responsible for determining what services are needed and ensuring that services align with business objectives.

Customers may also be responsible for approving service agreements, defining service requirements, and evaluating service performance.

For example, the IT department of an organization may act as the customer for a cloud infrastructure service.

Users

A user is the individual who interacts with the service on a day-to-day basis. Users consume the service to perform tasks and achieve operational outcomes.

Users may include employees, customers, or other stakeholders who rely on digital services to perform their work.

For example, employees using an enterprise collaboration platform are considered users of that service.

The needs of users often influence how digital products and services are designed, particularly with regard to usability, accessibility, and performance.

Sponsors

A sponsor is the individual or entity that authorizes the budget or financial investment required to consume a service. Sponsors provide the financial resources that enable service consumption.

Sponsors may evaluate services based on their cost-effectiveness, strategic value, and alignment with organizational goals.

For example, a senior executive who approves funding for a digital transformation initiative may act as the sponsor for the associated services.

Multiple Stakeholders in Service Relationships

In many cases, service relationships involve multiple stakeholders performing different roles simultaneously. For example:

- An executive may act as the sponsor.
- A department manager may act as the customer.
- Employees may act as users.

Each of these roles contributes to the overall value created through the service.

Understanding these roles allows organizations to manage expectations, allocate responsibilities, and improve communication between stakeholders.

The concept of service relationships was clearly defined in ITIL 4, in which the service relationship model described how providers and consumers interact through service offerings.

ITIL 4 emphasized the collaborative nature of service relationships and highlighted the importance of understanding stakeholder roles in value co-

creation.

ITIL Version 5 continues this service relationship model but places greater emphasis on digital ecosystems and collaborative networks.

Modern services often involve multiple service providers, partners, suppliers, and digital platforms working together to deliver value. As a result, service relationships may extend across organizational boundaries and involve complex networks of stakeholders.

Organizations must therefore manage service relationships not only within internal teams but also across external partnerships and digital ecosystems.

Importance of Clear Role Definition

Clearly defining stakeholder roles ensures that responsibilities are properly assigned and expectations are aligned. When roles are clearly understood, service relationships become more effective and collaborative.

Effective service relationship management helps organizations to:

- Improve communication between stakeholders,
- Align services with business objectives,
- Manage risks and responsibilities,
- Enhance customer satisfaction, and
- Support continual service improvement.

These benefits contribute directly to the successful management of digital products and services.

Types of Service Relationships

As discussed in the previous section, service relationships represent the collaborative interaction between service providers and service consumers that enables value creation. However, these relationships are not limited to simple service delivery. In practice, service relationships consist of several interconnected activities through which services are designed, delivered, consumed, and continually improved.

Within the ITIL framework, service relationships can be understood through the following three primary forms of interaction:

- Service provisioning
- Service consumption
- Service relationship management

These interactions define how organizations collaborate to create value through digital products and services.

Service Provisioning

Service provisioning refers to the activities performed by a service provider to deliver services to consumers. These activities involve designing, building, operating, and maintaining the products and resources that support the service.

Service provisioning typically includes responsibilities such as:

- Designing digital products and service offerings.
- Developing and maintaining technology platforms.
- Managing infrastructure and operational environments.
- Ensuring service availability, performance, and security.
- Providing support and maintenance services.

Service providers are responsible for ensuring that services deliver the required functionality and reliability. This includes managing both utility and warranty, which were discussed earlier in this chapter.

For example, a cloud service provider provisions computing resources, manages data centers, ensures cybersecurity protections, and maintains the underlying infrastructure that enables customers to use cloud services.

Therefore, service provisioning focuses on the provider's responsibilities in enabling service delivery.

Service Consumption

Service consumption refers to the activities performed by service consumers when they use services to achieve desired outcomes. Service consumers interact with the service through various interfaces and integrate the service into their own operational environments.

Service consumption activities may include:

- Requesting access to services.
- Configuring and integrating services into workflows.
- Using services to perform tasks and achieve outcomes.
- Providing feedback to service providers.
- Participating in service improvement initiatives.

Consumers contribute their own resources, knowledge, and operational context when using services. This contribution is an essential part of value co-creation, as discussed earlier in the chapter.

For example, when an organization subscribes to a cloud-based collaboration platform, employees use the platform to communicate, share documents, and manage projects. Their usage patterns, feedback, and operational practices influence how the service evolves.

Thus, service consumption represents the consumer's role in enabling value creation.

Service Relationship Management

Service relationship management refers to the ongoing coordination and communication between service providers and service consumers to ensure that services continue to deliver value.

This aspect of service relationships focuses on maintaining alignment between the capabilities offered by the provider and the evolving needs of the consumer.

Service relationship management activities may include:

- Defining service requirements and expectations.
- Negotiating service agreements and service levels.
- Monitoring service performance and outcomes.
- Managing incidents, problems, and changes.
- Reviewing service performance and improvement opportunities.

Through these activities, both providers and consumers collaborate to ensure that services remain effective and aligned with organizational

objectives.

For example, a business organization using managed IT services may regularly meet with its service provider to review service performance, discuss improvement opportunities, and plan future enhancements.

Therefore, service relationship management ensures that the relationship between provider and consumer remains productive and mutually beneficial.

Interdependence of Service Relationship Types

While service provisioning, service consumption, and service relationship management are described separately, they are closely interconnected.

These interactions can be visualized as a continuous cycle:

Service Provisioning → Service Consumption → Service Relationship Management → Service Improvement

This cycle reflects the collaborative nature of service management, where providers and consumers work together to improve services and enhance value delivery over time.

For example:

- A service provider introduces a new feature (service provisioning).
- Consumers begin using the feature to improve productivity (service consumption).
- Feedback from users leads to further enhancements (service relationship management).

This ongoing interaction supports continual improvement of digital products and services.

Types of Service Relationships in ITIL 4

The concept of service relationships was introduced in ITIL 4 as part of the SVS. ITIL 4 emphasized that services are delivered through collaborative relationships rather than through isolated transactions.

The service relationship model in ITIL 4 already highlights the interactions between providers and consumers through service provisioning and

consumption activities.

ITIL Version 5 expands the concept of service relationships to reflect the complexity of modern digital ecosystems.

Today, services are often delivered through networks of multiple providers, partners, and technology platforms. Organizations may rely on several service providers simultaneously, while also acting as service providers themselves for internal or external stakeholders.

This interconnected environment requires stronger coordination, governance, and communication between stakeholders. Therefore, service relationship management becomes increasingly important for ensuring reliability, transparency, and alignment across complex digital environments.

Importance of Effective Service Relationships

Effective service relationships enable organizations to:

- Align services with business objectives.
- Improve communication between stakeholders.
- Manage risks and responsibilities.
- Support continual improvement.
- Enhance customer satisfaction.

By understanding the different types of service relationships and the roles involved, organizations can design more effective service management strategies that support long-term value creation.

The Service Journey Concept

In modern digital environments, service interactions rarely occur as isolated events. Instead, services are experienced by users and customers as a series of interconnected interactions over time. These interactions collectively form what is known as the “service journey.”

Understanding the service journey analyzes how users experience services from the moment a need arises through the stages of service discovery, onboarding, usage, support, and continual improvement. By viewing

service interactions as a journey rather than as individual transactions, organizations can design services that deliver more consistent and meaningful experiences.

Understanding the Service Journey

The service journey represents the sequence of interactions and experiences that stakeholders have with a service throughout its lifecycle. It captures the end-to-end experience from the perspective of the service consumer.

A service journey may include several stages, such as:

- **Explore** : Understand markets and stakeholders.
- **Engage** : Foster relationships.
- **Offer** : Shape demand and service offerings.
- **Agree** : Align expectations and agree on the service.
- **Onboard** : Get on board or leave the journey.
- **Co-create** : Provide and consume.
- **Reflect** : Capture value and improve.

Each stage represents a touchpoint where service providers and service consumers interact. These touchpoints influence how users perceive the quality and value of the service.

For example, the service journey for a cloud-based collaboration platform may begin when an organization identifies the need for improved team communication. The journey continues as the organization evaluates different service providers, subscribes to a platform, configures user accounts, integrates the system into daily workflows, and receives ongoing support.

Importance of the Service Journey Perspective

Viewing services through the lens of the service journey allows organizations to understand how different activities and processes influence the overall user experience.

Instead of focusing solely on internal operational activities, organizations can evaluate services based on how consumers experience them across the

entire lifecycle.

This perspective helps organizations to:

- Identify gaps or inefficiencies in service delivery.
- Improve usability and accessibility of services.
- Ensure consistency across different service interactions.
- Enhance customer satisfaction and engagement.
- Support continual service improvement.

Thus, by analyzing service journeys, organizations can design services that better align with the needs and expectations of users and customers.

Touchpoints in the Service Journey

A touchpoint refers to any interaction between a service consumer and a service provider during the service journey. These touchpoints may occur through various channels, including digital platforms, customer support interactions, automated systems, or operational processes.

Examples of service touchpoints include:

- Accessing a service portal to request a service.
- Receiving confirmation or status updates.
- Interacting with a mobile application.
- Contacting a service desk for assistance.
- Receiving notifications about service updates or incidents.

Each touchpoint contributes to the overall perception of the service. If touchpoints are poorly designed or inconsistent, they may negatively affect the service experience even if the underlying technology performs well.

Therefore, organizations need to ensure that service touchpoints are designed with the UX in mind.

The concept of service journeys was already implicitly recognized in ITIL 4, particularly within practices such as service design, service relationship management, and customer experience management. ITIL 4 emphasized the importance of understanding customer needs and aligning service activities with the desired outcomes.

However, the concept was often discussed within the broader context of value streams and service relationships rather than as a dedicated perspective on UX.

ITIL Version 5 places stronger emphasis on the service journey as part of DPSM.

In modern digital ecosystems, services are delivered through complex combinations of digital platforms, automation systems, and interconnected partners. As a result, organizations must carefully design the entire service journey to ensure that all interactions contribute positively to the user experience.

Service journeys are closely connected to concepts such as:

- **Value streams** , which describe the activities required to deliver services.
- **Service relationships** , which define the collaboration between providers and consumers.
- **UX** and **CX** , which shape how services are perceived.

By integrating these perspectives, organizations can design services that deliver seamless and consistent experiences.

Using Service Journey Analysis

Organizations often use mapping techniques for the service journey to visualize how users interact with services across different stages. A service journey map identifies key touchpoints, activities, and interactions involved in delivering a service.

Service journey analysis allows organizations to:

- Identify friction points that affect user satisfaction.
- Improve service onboarding and adoption.
- Streamline workflows and service processes.
- Enhance collaboration between teams involved in service delivery.

These insights support more effective service design and continual improvement.

Role of Service Journey in Value Creation

The service journey plays a crucial role in enabling value co-creation, as it represents the sequence of interactions through which providers and consumers collaborate to achieve outcomes.

Each interaction within the service journey influences how stakeholders perceive service value. Positive experiences strengthen trust and encourage continued service adoption, while negative experiences may reduce customer satisfaction and engagement.

By designing service journeys that prioritize usability, reliability, and responsiveness, organizations can enhance the overall value delivered through their digital products and services.

Service Quality and Service Level Agreements (SLAs)

Delivering high-quality services is a fundamental objective of service management. As discussed throughout this chapter, services create value by enabling outcomes for users and customers while managing associated costs and risks. However, ensuring that services consistently meet stakeholder expectations requires clear definitions of service quality and performance commitments.

Service quality and Service Level Agreements (SLAs) provide the mechanisms through which service providers and service consumers establish shared expectations regarding service performance, reliability, and responsiveness.

Understanding Service Quality

Service quality refers to the ability of a service to consistently meet or exceed the expectations of its users and customers. High-quality services deliver reliable functionality, maintain performance standards, and provide positive UX.

Service quality is influenced by several factors, including:

- Service reliability and availability
- Performance and responsiveness

- Security and data protection
- Usability and accessibility
- Effectiveness of support services
- Alignment with customer needs

From the perspective of service consumers, quality is often evaluated based on how well the service enables desired outcomes and supports operational activities.

For example, a digital payment platform may be considered high quality if it processes transactions quickly, maintains strong security protections, and remains available without interruptions.

Therefore, service quality reflects both technical performance and UX, reinforcing the concepts discussed earlier in this chapter regarding utility, warranty, and UX.

Measuring Service Quality

To ensure consistent service quality, organizations must define measurable performance indicators that allow service performance to be monitored and evaluated.

Examples of service performance indicators include the following:

- System availability percentages
- Response times for service requests
- Incident resolution times
- Service uptime and downtime metrics
- Customer satisfaction ratings
- System capacity and performance levels

These metrics provide transparency regarding how well a service performs and whether it meets the expectations of service consumers.

Effective measurement enables organizations to identify areas for improvement and maintain accountability in service delivery.

Understanding SLAs

An SLA is a formal agreement between a service provider and a service consumer that defines the expected level of service performance. SLAs establish measurable targets and responsibilities that ensure services meet the agreed standards.

An SLA typically includes:

- Description of the service being provided,
- Performance targets and service level metrics,
- Roles and responsibilities of both provider and consumer,
- Procedures for reporting and resolving incidents,
- Escalation mechanisms for service issues, and
- Review and improvement processes.

By clearly defining these elements, SLAs create a shared understanding between service providers and consumers regarding how services should perform.

For example, an SLA for a cloud hosting service may specify the following:

- 99.9% service availability per month
- Maximum response time for support requests
- Data backup and recovery procedures
- Security and compliance requirements

These commitments ensure that both parties understand the expectations and responsibilities associated with the service.

In ITIL 4, Service Level Management was introduced as an important management practice responsible for establishing and maintaining SLAs with customers. The practice emphasized the importance of aligning service performance targets with business objectives and customer expectations. ITIL 4 also encouraged organizations to measure service quality through meaningful metrics rather than focusing solely on technical indicators.

ITIL Version 5 emphasizes the importance of service quality and SLAs, but within a broader context of DPSM. In modern digital environments, services often operate across complex ecosystems involving multiple suppliers, platforms, and digital infrastructures. As a result, organizations

must ensure that service quality commitments remain aligned across these interconnected systems.

Therefore, SLAs play an important role in establishing accountability and transparency within digital service ecosystems. In addition, modern service management increasingly incorporates experience-level considerations, meaning that organizations evaluate service quality not only through technical metrics but also through measures of user satisfaction and service adoption.

Relationship between SLAs and Value Creation

SLAs contribute to value creation by ensuring that services perform reliably and consistently. When service providers meet SLA commitments, service consumers can rely on services to support their operational objectives. However, SLAs must be carefully designed to ensure that performance targets reflect meaningful outcomes rather than purely technical indicators. For example, achieving a high availability metric may not necessarily guarantee a positive UX if performance issues still occur during peak usage periods. Thus, organizations must ensure that SLA metrics align with the outcomes and experiences that matter most to stakeholders.

Continual Improvement of Service Quality

Service quality management is not a one-time activity. Organizations must continually evaluate service performance and identify opportunities for improvement. Practices such as continual improvement, monitoring, and feedback analysis ensure that services evolve to meet changing customer needs and technological environments. Regular SLA reviews also allow organizations to update performance targets as services mature or business requirements change.

Conclusion

This chapter introduced the key concepts of DPSM in ITIL Version 5. It explains the shift toward a service economy, in which organizations compete based on outcomes and experiences. The chapter also outlined how digital products and services deliver value through service offerings by combining goods, access, and service actions. It also clarified concepts such

as value, outcomes, costs, risks, utility, warranty, sustainability, service relationships, and the service journey, preparing readers for lifecycle management, value streams, governance, and continual improvement.

In the next chapter, we will cover the lifecycle as an integrated and iterative system of activities, designed to enable sustainable value creation in complex digital environments.

Multiple Choice Questions

1. What is the primary purpose of a service in ITIL?
    a. To deliver technical infrastructure
    b. To enable value by facilitating outcomes
    c. To reduce operational complexity
    d. To manage IT costs
2. Which of the following best describes a digital product?
    a. A physical technology device
    b. A digital platform or capability designed to deliver value
    c. A support activity performed by service teams
    d. A service agreement between stakeholders
3. Which component of a service offering provides the ability for consumers to use provider-managed resources?
    a. Goods
    b. Service actions
    c. Access to resources
    d. Service relationships
4. What is the difference between outputs and outcomes?
    a. Outputs describe benefits; outcomes describe activities
    b. Outputs are deliverables; outcomes are results achieved by stakeholders
    c. Outputs represent costs; outcomes represent risks
    d. Outputs represent services, outcomes represent products

5. Which concept refers to functionality that enables a service to meet the user needs?
    a. Warranty
    b. Utility
    c. Outcome
    d. SLA

Answers

1. b
2. b
3. c
4. b
5. b

Questions

1. Explain the concept of Digital Product and Service Management (DPSM) in modern organizations.
2. Describe the relationship between digital products and digital services.
3. What is a service offering, and what are its main components?
4. Explain the concept of value co-creation in service management.
5. Differentiate between outputs and outcomes with examples.
6. Discuss the importance of utility and warranty in determining service value.
7. Explain the role of user experience in digital service management.
8. Describe the roles of service providers, customers, users, and sponsors in service relationships.
9. What is a service journey, and why is it important in modern service management?
10. Explain how Service Level Agreements (SLAs) ensure service quality.

Key Terms

- **Digital Product:** A combination of digital technologies, resources, and capabilities designed to enable value through digital services.
- **Digital Service:** A service that is delivered primarily through digital technologies and platforms.
- **Service Offering:** A structured description of how a service provider delivers value through a combination of goods, access to resources, and service actions.
- **Value:** The perceived benefits, usefulness, and importance of something to stakeholders.
- **Value Co-Creation:** The collaborative process through which service providers and consumers work together to generate value.
- **Output:** A tangible or intangible deliverable produced by an activity or process.
- **Outcome:** A result achieved by a stakeholder through the use of a service.
- **Cost:** The financial or resource expenditure required to deliver or consume a service.
- **Risk:** The possibility of an event that could negatively affect the achievement of objectives.
- **Utility:** The functionality offered by a product or service that enables the desired outcomes (fit for purpose).

CHAPTER 5

ITIL Product and Service Lifecycle

Introduction

This chapter will introduce the Information Technology Infrastructure Library's (ITIL's) Product and Service Lifecycle—a core model in ITIL Version 5 that explains how digital products and services are discovered, designed, built, delivered, supported, and continually improved. Unlike traditional linear models, the lifecycle is iterative and adaptive, enabling organizations to respond to evolving business needs and technologies. It outlines the key activities—from Discover and Design to Operate, Deliver, and Support—and emphasizes their interconnected nature. The chapter will also highlight feedback loops, automation, and alignment with value streams and the ITIL Value System (VS), providing a practical foundation for managing digital services end-to-end.

Structure

In this chapter, we will cover the following topics:

- Purpose of the ITIL Product and Service Lifecycle
- Iterative and Non-Linear Nature of the Lifecycle
- Overview of Lifecycle Activities
- Discover: Identifying Needs and Opportunities
- Design: Structuring Digital Solutions
- Acquire: Sourcing and Procurement Strategies
- Build: Development and Integration Practices
- Transition: Release, Testing, and Deployment
- Operate: Sustaining Live Services
- Deliver: Enabling Customer Outcomes
- Support: Incident, Problem, and Resilience Management

- Feedback Loops and Continual Improvement within the Lifecycle
- Integration with Value Streams and the ITIL Value System (VS)

Purpose of the ITIL Product and Service Lifecycle

Modern organizations operate in environments defined by rapid technological change, evolving customer expectations, and increasing operational complexity. Therefore, digital products and services must be continuously designed, developed, delivered, and improved to remain relevant and valuable. To support this need, ITIL Version 5 introduces the ITIL Product and Service Lifecycle, which is a structured model that explains how digital products and services evolve from initial concepts to operational capabilities and continual improvement.

The purpose of the ITIL Product and Service Lifecycle is to provide a holistic framework for managing digital products and services throughout their lifecycle, ensuring that they consistently create value for stakeholders. As illustrated in the official ITIL lifecycle model, organizations perform lifecycle management activities—such as “Discover,” “Design,” “Acquire,” “Build,” “Transition,” “Operate,” “Deliver,” and “Support”—to manage digital offerings effectively.

Need for a Lifecycle Perspective

Digital products and services do not remain static after deployment. Instead, they evolve continuously in response to changes in customer needs, technological advancements, regulatory requirements, and competitive pressures. For example, a mobile banking application may initially provide basic account access and transactions but later evolve to include mobile payments, AI-driven financial insights, fraud detection, and ecosystem integrations.

Managing this evolution requires a lifecycle perspective that coordinates activities across strategy, development, operations, and continual improvement, ensuring that services remain aligned with business objectives and stakeholder expectations.

From Traditional Service Management to Lifecycle Thinking

Earlier frameworks, such as ITIL v3, structured service management through stages including “Service Strategy,” “Service Design,” “Service Transition,” “Service Operation,” and “Continual Service Improvement.” ITIL 4 later introduced the Service Value System (SVS) and Service Value Chain, emphasizing flexible value streams instead of sequential stages.

ITIL Version 5 builds on these foundations by reintroducing lifecycle thinking in a modern, iterative form. Rather than rigid stages, the ITIL Product and Service Lifecycle represents interconnected activities that support Digital Product and Service Management, aligning with Agile, DevOps, and continuous delivery practices.

Core Critical Purposes of the Lifecycle Model:

- **End-to-End Management:** It provides a structured approach for managing digital services from opportunity discovery to operation and support.
- **Continuous Value Creation:** As discussed earlier in this book, value is co-created between service providers and consumers. Lifecycle activities ensure that services evolve as user needs change.
- **Integration of Organizational Capabilities:** Delivering digital services requires coordination among product management, development teams, infrastructure operations, cybersecurity, and customer support.
- **Agility and Innovation:** The lifecycle supports iterative development, experimentation, and continuous improvement rather than one-time service delivery.

Lifecycle Activities are considered value-enabling mechanisms. Each lifecycle activity contributes directly to value creation in the following ways:

- **Discover:** The purpose is to ensure continual alignment of the product roadmaps and related service offerings with the needs of service consumers and the organizational strategy.

- **Design:** The purpose is to create prototypes and specifications for products and services, detailing their functionality, User Experience (UX), and operational framework.
- **Acquire:** The purpose is to secure and allocate necessary resources efficiently, ensuring the sustainability and scalability of products and services.
- **Build:** The purpose is to develop, integrate, and test digital products, transforming designs into functional solutions.
- **Transition:** The purpose is to introduce new or updated products into operational environments, ensuring effective onboarding and offboarding of suppliers.
- **Operate:** The purpose is to maintain and monitor digital products and supporting systems, ensuring optimal performance and reliability.
- **Deliver:** The purpose is to provide services to users, manage user onboarding and offboarding, maintain service quality standards, and gather consumers' feedback.

Together, the preceding activities ensure that digital services remain reliable, adaptable, and aligned with business objectives.

Aligning Lifecycle Activities with Digital Ecosystems

Modern digital services often operate within complex ecosystems involving partners, suppliers, and platforms. The lifecycle model enables organizations to coordinate activities across these ecosystems while maintaining governance, value stream alignment, and service management discipline.

Ultimately, the ITIL Product and Service Lifecycle provides a structured yet flexible framework for managing digital offerings from concept to continual improvement, enabling organizations to deliver sustainable value in dynamic digital environments.

Iterative and Non-Linear Nature of the Lifecycle

Modern digital organizations operate in environments marked by rapid innovation, evolving customer expectations, and continuous technological change. Consequently, digital products and services cannot be managed through rigid sequential processes. ITIL Version 5 addresses this by introducing an iterative and non-linear Product and Service Lifecycle, where activities may occur repeatedly, concurrently, or in different sequences depending on organizational needs.

Unlike traditional linear lifecycle models, which progress through fixed stages, the ITIL lifecycle supports continuous learning and adaptation. New insights, regulatory changes, or customer feedback may require organizations to revisit earlier decisions. For example, testing results may lead to design adjustments, operational insights may trigger redesign, and user feedback may drive new feature development.

The lifecycle activities—Discover, Design, Acquire, Build, Transition, Operate, Deliver, and Support—are therefore interconnected rather than sequential. Insights from operations, delivery, or support can initiate new discovery or design activities, creating a continuous cycle of improvement.

This approach aligns with modern methodologies such as Agile, DevOps, and continuous delivery, which emphasize incremental development and rapid feedback. Readers familiar with ITIL 4 will recognize similarities with the SVS or Service Value Chain—which is described as Value Chain stepping stones, and by this, you can visualize the non-linear nature—where value was created through flexible and interconnected activities.

By adopting an iterative lifecycle that is supported by feedback from users, performance metrics, and operational monitoring, organizations enhance agility, innovation, collaboration, and risk reduction. This flexible model enables digital services to evolve continuously while remaining aligned with stakeholder needs and business objectives.

Overview of Lifecycle Activities

The ITIL Product and Service Lifecycle provides a structured model for managing digital products and services from initial concept to operation and continual improvement. Rather than representing a rigid sequence of stages, the lifecycle functions as an integrated system of activities that collectively support the creation, delivery, and evolution of digital offerings.

This lifecycle allows organizations to coordinate capabilities such as product management, software development, service management, and operations, ensuring that digital services remain aligned with stakeholder needs throughout their lifecycle.

According to the ITIL lifecycle model, organizations perform eight core lifecycle activities: Discover, Design, Acquire, Build, Transition, Operate, Deliver, and Support. Combined, these activities enable organizations to identify opportunities, develop solutions, operate services reliably, and continuously enhance digital offerings.

- **The Discover activity** focuses on identifying stakeholder needs, market opportunities, and strategic priorities. Insights from this activity help define product roadmaps and service requirements.
- **The Design activity** translates these insights into structured digital solutions by defining service architecture, UX, and system capabilities.
- **The Acquire activity** ensures that the necessary technologies, infrastructure, and supplier capabilities are sourced effectively to support service development.
- **The Build activity** transforms design specifications into working digital components through development, integration, and testing, often supported by Agile and DevOps practices.
- **The Transition activity** introduces new or updated services into live environments through controlled release and deployment activities, ensuring operational readiness.
- **The Operate activity** maintains the reliability and performance of services by monitoring systems, managing infrastructure, and ensuring availability and security.
- **The Deliver activity** focuses on enabling customer outcomes by ensuring services are accessible, usable, and aligned with business objectives.
- **The Support activity** protects service value through incident management, problem management, and resilience mechanisms that maintain service continuity.

Readers familiar with ITIL 4 will recognize similarities between these activities and the Service Value Chain. However, ITIL Version 5 introduces the Product and Service Lifecycle to provide a clearer operational structure for managing digital products end-to-end.

Together, these lifecycle activities ensure that digital services remain reliable, adaptable, and aligned with stakeholder needs while continuously delivering value in dynamic digital environments.

Discover: Identifying Needs and Opportunities

The Discover activity represents the starting point of the ITIL Product and Service Lifecycle. Its primary purpose is to identify stakeholder needs, emerging opportunities, and strategic directions that may lead to the development or improvement of digital products and services. In modern digital organizations, innovation rarely begins with technology alone; instead, it originates from a deep understanding of customer expectations, market conditions, business objectives, and technological possibilities.

The Discover activity ensures that new digital initiatives are aligned with business strategy, customer outcomes, and long-term value creation.

Understanding Stakeholder Needs

At the core of the Discover activity is the effort to understand the stakeholders' needs and expectations. These stakeholders may include customers, users, sponsors, business leaders, regulators, partners, and internal teams.

Organizations must identify:

- Problems that customers are trying to solve,
- Opportunities for improving existing services,
- Emerging market demands,
- Technological innovations that can create new capabilities, and
- Risks or constraints affecting service delivery.

Effective discovery requires continuous engagement with stakeholders through methods such as customer interviews, surveys, service usage analysis, market research, and operational feedback.

As introduced in *Chapter 2, Introduction to Key Concepts of ITIL* , value in modern service management is co-created between service providers and service consumers. The Discover activity plays a crucial role in understanding how value can be enhanced through new or improved digital products and services.

Strategic Alignment with Organizational Goals

The Discovery activity is not simply about generating ideas; it also ensures that the proposed digital initiatives are aligned with the organization's broader strategy.

Organizations typically evaluate opportunities by considering factors such as:

- Alignment with business strategy
- Potential value for customers and stakeholders
- Expected costs and resource requirements
- Associated risks and compliance considerations
- Technological feasibility

By applying these considerations early in the lifecycle, organizations can prioritize initiatives that deliver meaningful outcomes while avoiding investments that provide limited value.

Identifying Opportunities in Digital Ecosystems

Modern organizations operate within complex digital ecosystems that involve multiple platforms, technologies, partners, and service providers. Thus, the Discover activity must consider not only internal capabilities but also the broader ecosystem in which digital services operate.

Examples of discovery activities in digital ecosystems include:

- Identifying opportunities for platform integration.
- Exploring partnerships with external service providers.
- Leveraging emerging technologies such as Artificial Intelligence (AI) or automation.
- Analyzing competitive market developments.

The preceding activities identify opportunities to create innovative digital products and services that enhance Customer Experiences (CX) and business capabilities.

Sources of Discovery Insights

The Discover activity typically relies on multiple sources of insight that allow organizations to understand where improvements or innovations may be required.

Common sources include:

- **Customer and User Feedback:** Direct feedback from customers and users provides valuable insight into service performance, usability challenges, and unmet needs.
- **Operational Data and Service Metrics:** Service performance metrics, incident records, and usage patterns can reveal areas where services require improvement.
- **Market and Industry Analysis:** Organizations analyze industry trends, regulatory developments, and competitor strategies to identify emerging opportunities.
- **Technological Innovation:** Advances in technologies such as cloud computing, AI, and data analytics often create opportunities for new digital capabilities. By combining these insights, organizations can build a comprehensive understanding of potential innovation opportunities.

Readers familiar with ITIL 4 will recognize similarities between the Discover activity and certain activities within the Service Value Chain, particularly the “Plan” and “Engage” activities.

In ITIL 4:

- The **Plan activity** focused on aligning organizational vision, strategy, and improvement initiatives.
- The **Engage activity** emphasized understanding stakeholder needs and maintaining relationships with customers and partners.

The Discover activity in ITIL Version 5 builds upon these concepts, bringing them together within the lifecycle perspective for digital product

and service management.

While ITIL 4 emphasized value streams and practices, ITIL Version 5 explicitly highlights the need for structured discovery activities that support the creation and evolution of digital products and services.

Supporting Innovation and Continuous Improvement

Discovery is not limited to the early stages of product development. In an iterative lifecycle model, discovery activities occur continuously throughout the lifecycle.

For example:

- Operational insights may reveal opportunities for service improvement.
- Customer feedback may lead to new product features.
- Technological advancements may enable new service capabilities.

This continuous discovery approach supports innovation, adaptability, and continual improvement, ensuring that digital products and services remain relevant in rapidly evolving environments.

Deliverables of the Discover Activity

The outcomes of the Discover activity often include several strategic and operational artifacts that guide subsequent lifecycle activities.

Typical deliverables may include:

- Business opportunity assessments
- Product or service concepts
- Customer requirements and expectations
- Product roadmaps and strategic priorities
- Feasibility studies and value assessments

These outputs provide the foundation for the Design activity, where identified opportunities are translated into structured digital solutions.

Enabling Value Creation

Ultimately, the Discover activity plays a critical role in enabling organizations to create meaningful value. By identifying opportunities that align with stakeholder needs and organizational strategy, discovery ensures that digital products and services are designed with a clear purpose and measurable outcomes.

Without effective discovery, organizations risk investing in technologies or services that fail to deliver real value to customers and stakeholders.

The Discover activity in the ITIL Product and Service Lifecycle focuses on identifying stakeholder needs, emerging opportunities, and strategic directions for digital products and services. Through stakeholder engagement, market analysis, operational insights, and technological exploration, organizations can uncover opportunities that support innovation and value creation.

By connecting strategic intent with actionable initiatives, the Discover activity ensures that digital services are developed to align with business objectives, customer expectations, and the evolving digital ecosystem.

Design: Structuring Digital Solutions

The Design activity in the ITIL Product and Service Lifecycle focuses on transforming identified needs and opportunities into structured digital solutions that can deliver value to stakeholders. Following the Discover activity, which identifies business opportunities and stakeholder expectations, the Design activity ensures that these insights are translated into practical, scalable, and reliable service architectures.

In modern digital organizations, Design activity is not limited to technical architecture. It encompasses service functionality, UX, operational processes, security, governance, and sustainability considerations. The purpose of the design activity is therefore to ensure that digital products and services are built on a foundation that supports both business objectives and operational excellence.

Translating Needs into Structured Solutions

The primary objective of the Design activity is to convert stakeholder requirements into well-defined digital products and services. This involves defining how the service will function, how it will be delivered, and how it will interact with other organizational systems.

Key design considerations include:

- Defining service functionality and capabilities.
- Designing system architectures and technology components.
- Defining user interfaces and customer interactions.
- Establishing service performance and availability requirements.
- Incorporating security and compliance controls.
- Designing operational processes and support mechanisms.

By addressing these elements during the Design stage, organizations can ensure that services are fit for purpose and fit for use, aligning with the concepts of utility and warranty, as discussed in *Chapter 4, Key Concepts of Digital Product and Service Management*.

Designing for Value Creation

In ITIL-based service management, Design activities must always focus on enabling value for service consumers. As explained in *Chapter 2, Introduction to Key Concepts of ITIL*, value is co-created through collaboration between service providers and consumers, and thus, services must be designed with a clear understanding of the outcomes they are intended to enable.

Therefore, Design activities consider not only technical functionality but also the experience and outcomes delivered to users and customers.

For example, when designing a digital banking service, the organization must consider:

- The functionality required for financial transactions,
- The usability of mobile and web interfaces,
- Security measures to protect financial data,
- Operational resilience and service availability, and
- Integration with external payment networks.

Only when the preceding elements are combined effectively can the service deliver meaningful value.

Components of Digital Solution Design

The Design activity typically addresses multiple dimensions of digital service architecture.

Service Architecture defines the overall structure of the digital product or service, including the systems, technologies, and interfaces that support service delivery.

This may include:

- Application architecture
- Cloud infrastructure design
- Integration with enterprise systems
- Service interfaces and APIs

User and Customer Experience Design

User Experience (UX) and Customer Experience (CX) design ensure that digital services are intuitive, accessible, and aligned with user expectations. This includes designing interfaces, workflows, and interaction models that support efficient and satisfying service usage.

- **Operational Design:** Operational design focuses on ensuring that services can be reliably operated and supported once deployed. This includes defining monitoring mechanisms, support processes, incident response procedures, and operational responsibilities.
- **Security and Compliance Design:** Digital services must incorporate security controls and compliance mechanisms that protect organizational assets and customer data. Design activities therefore include risk assessment, identity management architecture, and data protection strategies.

Readers familiar with ITIL 4 will recognize similarities between the Design activity and the Service Design practice described within the ITIL 4 management practices framework.

In ITIL 4, Service Design focuses on designing products and services that are aligned with stakeholder needs and capable of delivering value. It emphasized the importance of designing services across multiple dimensions, including people, processes, technology, and partners.

The Design activity in ITIL Version 5 builds upon these principles; however, it is explicitly embedded within the end-to-end lifecycle model of Digital Product and Service Management, rather than being treated as a standalone value chain activity or practice as in ITIL4. While ITIL4 enabled design through both the Design value chain activity and practices such as Service Design—allowing organizations to structure dedicated design value streams—ITIL Version 5 integrates design more tightly across the lifecycle, ensuring that it is continuously aligned with product evolution, stakeholder value, and outcome realization rather than executed as a discrete phase.

While ITIL 4 primarily described service design as a management practice within the Service Value Chain, ITIL Version 5 integrates design activities directly into the lifecycle of digital products and services, highlighting the role of design in enabling continuous innovation and service evolution.

Iterative Design in Digital Environments

In modern digital environments, design is rarely a one-time activity. Instead, it occurs iteratively as organizations learn from user feedback, operational insights, and evolving technological capabilities.

For example:

- User feedback may lead to interface improvements.
- Operational monitoring may identify performance optimization opportunities.
- Emerging technologies may enable new service capabilities.

These insights may trigger redesign activities that enhance the service over time.

This iterative design approach aligns with modern development methodologies such as Agile and DevOps, in which design evolves continuously alongside development and operations.

Design Outputs

The outputs of the Design activity provide the foundation for subsequent lifecycle activities such as Acquire and Build. Typical design outputs may include:

- Service architecture documentation
- Product and service specifications
- System integration designs
- UX designs and prototypes
- Operational process definitions
- Security and compliance frameworks

The preceding outputs ensure that development teams, operations teams, and stakeholders share a common understanding of how the service should function.

Supporting Lifecycle Integration

Design activities must also ensure that digital solutions align with other lifecycle activities. Effective design considers how services will be developed, deployed, operated, and supported throughout their lifecycle.

This lifecycle perspective avoids design decisions that may introduce operational complexity or limit future scalability.

The Design activity in the ITIL Product and Service Lifecycle focuses on structuring digital solutions that transform identified needs and opportunities into practical service architectures. By addressing service functionality, UX, operational processes, and governance considerations, the design activity ensures that digital products and services are capable of delivering sustainable value.

Building upon the service design principles introduced in ITIL 4, ITIL Version 5 integrates design into the broader lifecycle of digital product and service management, enabling organizations to continuously evolve their digital offerings in response to changing business needs and technological advancements.

Acquire: Sourcing and Procurement Strategies

The Acquire activity in the ITIL Product and Service Lifecycle focuses on obtaining the resources, technologies, and capabilities required to develop and deliver digital products and services. Once opportunities have been identified in the Discover stage and structured solutions have been defined in the Design stage, organizations must ensure that the necessary components are available to realize the digital solution.

In modern digital environments, organizations rarely build every capability internally. Instead, they operate within complex ecosystems of suppliers, partners, technology vendors, and service providers. Therefore, the Acquire activity plays a critical role in determining how required resources will be sourced, procured, and integrated into the digital product or service architecture.

Purpose of the Acquire Activity

The primary purpose of the Acquire activity is to ensure that organizations have access to the right capabilities, technologies, and expertise needed to support digital service delivery. These resources may include:

- Software platforms and applications
- Cloud infrastructure services
- Hardware and network components
- Specialized development tools
- Third-party services or APIs
- Consulting or implementation expertise

The Acquire activity ensures that these resources are obtained in a manner that aligns with organizational strategy, cost constraints, risk considerations, and operational requirements.

Thus, by managing sourcing decisions effectively, organizations can build digital services that are both technically robust and economically sustainable.

Sourcing Models in Digital Service Management

Organizations may adopt several sourcing strategies depending on their capabilities and business objectives. Selecting the appropriate sourcing model is an important aspect of the Acquire activity.

Common sourcing approaches include:

- **Internal Sourcing:** In this model, the organization develops and manages capabilities internally. Internal sourcing may provide greater control over technology and intellectual property, but it may require significant investment in infrastructure and expertise.
- **External Sourcing:** External sourcing involves obtaining capabilities from third-party providers. Examples include purchasing commercial software products, subscribing to cloud services, or engaging managed service providers. External sourcing often allows organizations to access specialized expertise and reduce operational complexity.
- **Hybrid Sourcing:** Many modern organizations adopt hybrid sourcing strategies that combine internal capabilities with external services. For example, an organization may develop proprietary applications internally while hosting them on cloud infrastructure provided by external vendors. Hybrid sourcing allows organizations to balance control, flexibility, and scalability.
- **Strategic Partnerships:** Digital ecosystems increasingly rely on strategic partnerships between organizations that collaborate to deliver integrated services. For example, a digital payments platform may rely on partnerships with banks, fintech companies, and cybersecurity providers.

Such partnerships enable organizations to expand service capabilities and accelerate innovation.

Procurement Considerations

Once sourcing strategies are defined, organizations must execute procurement activities to obtain the required resources. Procurement processes typically involve:

- Evaluating supplier capabilities and reputation.
- Negotiating contractual agreements.

- Assessing compliance and regulatory requirements.
- Ensuring alignment with security and governance standards.
- Defining service level expectations.

Procurement decisions must also consider long-term sustainability and vendor reliability, as digital services often depend heavily on external providers.

Effective procurement ensures that acquired components integrate smoothly into the broader digital service architecture.

Managing Supplier Relationships

The Acquire activity also includes establishing and maintaining effective relationships with suppliers and partners. Supplier management ensures that external providers consistently meet performance expectations and support organizational objectives.

Organizations typically monitor supplier performance through mechanisms such as:

- Contractual Service Level Agreements (SLAs)
- Performance monitoring and reporting
- Risk and compliance assessments
- Regular supplier review meetings

Strong supplier relationships maintain reliability and resilience within digital ecosystems.

Readers familiar with ITIL 4 will recognize similarities between the Acquire activity and several ITIL 4 management practices, including:

- Supplier Management
- Service Financial Management
- Service Level Management
- IT Asset Management
- Relationship Management

In ITIL 4, these practices were described as organizational capabilities supporting the Service Value Chain.

ITIL Version 5 builds upon these practices by positioning the Acquire activities within the Product and Service Lifecycle. Instead of viewing procurement solely as a supporting management practice, ITIL Version 5 recognizes sourcing decisions as an integral part of how digital products and services evolve.

This lifecycle perspective reflects the reality that technology ecosystems, cloud platforms, and third-party integrations play a central role in modern service delivery.

Supporting Digital Ecosystems

Digital organizations rarely operate in isolation. Services often depend on interconnected systems across multiple vendors and partners. Hence, the Acquire activity supports the integration of external capabilities into the organization's digital environment.

For example, a modern e-commerce platform may integrate services from the following sources:

- Payment gateways
- Logistics providers
- Cloud infrastructure vendors
- Identity management platforms
- Fraud detection systems

Each of the preceding services must be sourced, procured, and integrated through effective acquisition strategies.

Risk Management in Acquisition

Sourcing and procurement decisions also introduce potential risks that must be carefully managed. These risks may include:

- Supplier dependency or vendor lock-in
- Security vulnerabilities in third-party systems
- Service reliability concerns
- Regulatory or compliance risks

Organizations must therefore evaluate suppliers carefully and implement governance mechanisms that ensure accountability and transparency.

Risk management practices introduced earlier in this book—such as evaluating costs and risks in service relationships—play an important role in the Acquire activity.

Outputs of the Acquire Activity

The outcomes of the Acquire activity typically include:

- Supplier contracts and service agreements
- Acquired technology components or services
- Vendor governance frameworks
- Procurement documentation and sourcing strategies

These outputs provide the necessary resources for the Build activity, where digital solutions are developed and integrated.

The Acquire activity in the ITIL Product and Service Lifecycle focuses on sourcing and procuring the resources required to develop and deliver digital products and services. By selecting appropriate sourcing models, managing supplier relationships, and ensuring effective procurement processes, organizations can obtain the capabilities needed to support innovation and reliable service delivery.

Building upon supplier management and procurement concepts introduced in ITIL 4, ITIL Version 5 integrates acquisition activities into the lifecycle of digital products and services. This lifecycle perspective enables organizations to coordinate sourcing decisions with design, development, and operational management, ensuring that digital offerings remain scalable, secure, and aligned with stakeholder needs.

Build: Development and Integration Practices

The Build activity in the ITIL Product and Service Lifecycle focuses on the development, configuration, and integration of the digital components required to realize a product or service. After the Discover activity identifies opportunities, the Design activity structures digital solutions, the

Acquire activity secures necessary resources, and the Build activity transforms these plans and resources into working digital capabilities.

In modern digital organizations, the Build stage represents the point where conceptual designs and sourced technologies are converted into operational systems that can deliver value to users and customers.

Purpose of the Build Activity

The primary purpose of the Build activity is to develop, assemble, and integrate digital components that form the foundation of digital products and services. This may include developing new applications, configuring infrastructure, integrating external services, and ensuring that the overall system functions as intended.

The Build activity typically involves multiple technical and operational teams working together to create integrated digital solutions. These teams may include:

- Software developers
- Infrastructure engineers
- System integrators
- Quality assurance teams
- Security specialists
- DevOps engineers

By coordinating these capabilities effectively, organizations ensure that digital products and services are built to support reliability, scalability, and long-term maintainability.

Key Activities in the Build Stage

Several important activities typically occur during the Build phase of the lifecycle.

- **Software Development:** Software development is often the central component of digital service creation. Development teams write application code, configure system components, and create the functional capabilities required to support service delivery.

Modern development environments frequently adopt Agile methodologies, through which development occurs in incremental iterations that allow teams to deliver improvements continuously.

- **Infrastructure Configuration:** Digital services require underlying infrastructure that supports application execution, data storage, networking, and security. Infrastructure engineers configure these environments using technologies such as:
  - Cloud computing platforms
  - Containerized environments
  - Virtual machines and server clusters
  - Networking and security infrastructure

Infrastructure automation tools are commonly used to ensure consistent and repeatable deployment of environments.

System Integration

Many digital products and services rely on multiple interconnected systems. Integration activities ensure that these systems work together seamlessly.

Integration tasks may include:

- Connecting applications with databases.
- Integrating third-party services and APIs.
- Enabling communication between internal systems.
- Implementing identity and access management systems.

Effective system integration is essential for ensuring that digital services operate reliably across complex technological environments.

Testing and Validation: Before services can be transitioned into operational environments, they must be tested thoroughly to verify that they meet design specifications and performance expectations.

Testing activities may include:

- Functional testing
- Performance and load testing
- Security testing

- User Acceptance Testing (UAT)

Testing ensures that potential issues are identified and resolved before services are introduced into live environments.

DevOps and Continuous Integration (CI)

Modern digital organizations increasingly rely on DevOps practices to streamline development and operational integration. DevOps emphasizes collaboration between development and operations teams, enabling faster and more reliable delivery of digital capabilities.

Key DevOps practices often used during the Build activity include:

- **Continuous Integration (CI):** Automatically integrating code changes into shared repositories.
- **Automated Testing:** Verifying functionality through automated test suites.
- **Continuous Deployment (CD):** Enabling rapid deployment of updates into operational environments.
- **Infrastructure as Code (IaC):** Managing infrastructure configuration through automated scripts.

These practices allow organizations to deliver digital improvements rapidly while maintaining system stability.

Readers familiar with ITIL 4 will recognize that the Build activity overlaps with several ITIL 4 management practices, including:

- Software Development and Management
- Release Management
- Deployment Management
- Infrastructure and Platform Management

In ITIL 4, practices are not components of the Service Value Chain itself; rather, value is realized through value streams, which are specific combinations of the value chain activities and practices. Activities such as “Obtain/Build” are part of the Service Value Chain, while practices provide the supporting capabilities that enable these activities to be executed effectively within a value stream.

The Build activity in ITIL Version 5 expands upon the ITIL 4 “Obtain/Build” concept by placing development and integration activities within the lifecycle of digital products and services. This lifecycle perspective highlights how development activities contribute to the long-term evolution of digital offerings.

Collaboration across Lifecycle Activities

The Build activity does not operate in isolation. Instead, it relies heavily on collaboration with other lifecycle activities.

For example:

- The Design outputs provide the architecture and specifications used during development.
- The Acquire activities provide the technologies and resources needed to build solutions.
- The Transition activities prepare built components for deployment into operational environments.

Continuous feedback between these activities allows organizations to refine solutions and improve development practices over time.

Managing Complexity in Modern Digital Systems

Digital services often involve highly complex technology ecosystems that include multiple platforms, cloud environments, and external integrations. Therefore, the Build activity must manage this complexity carefully to ensure system stability and maintainability.

Organizations commonly address this complexity by adopting practices such as:

- Modular system architecture
- Microservices-based design
- Automated integration pipelines
- Strong configuration management controls

These approaches allow organizations to build scalable systems that can evolve as technology and business requirements change.

Outputs of the Build Activity

The outcomes of the Build stage typically include several deliverables that prepare services for deployment into operational environments.

Typical outputs include:

- Developed software applications
- Configured infrastructure environments
- Integrated system components
- Tested service capabilities
- Deployment-ready release packages

The preceding outputs are then passed to the Transition activity, which ensures that the new or updated services can be introduced into live environments safely and effectively.

The Build activity in the ITIL Product and Service Lifecycle focuses on developing, integrating, and validating the digital components required to deliver products and services. Through coordinated efforts across development, infrastructure, and integration teams, organizations transform design specifications into operational systems.

Building upon the Obtain/Build activity described in ITIL 4, ITIL Version 5 places greater emphasis on the lifecycle management of digital products and services. By integrating modern development practices such as DevOps, CI, and automated testing, organizations can build digital solutions that support innovation, reliability, and long-term value creation.

Transition: Release, Testing, and Deployment

The Transition activity in the ITIL Product and Service Lifecycle focuses on introducing newly developed or modified digital products and services into operational environments in a controlled and reliable manner. After the solutions have been developed during the Build stage, they must be carefully prepared for real-world use to ensure that the transition from development to live operation does not disrupt the existing services or compromise service quality.

Thus, the purpose of the Transition activity is to ensure that new or updated capabilities are deployed safely, tested thoroughly, and integrated effectively into operational environments.

In modern digital organizations, service transition must balance two critical objectives: Maintaining service stability while enabling rapid innovation. Effective transition practices ensure that organizations can deliver new capabilities quickly without introducing unacceptable risks.

Objectives of the Transition Activity

The Transition stage ensures that digital services are ready for operational use and capable of delivering the outcomes defined during earlier lifecycle stages. Key objectives include:

- Validating that developed solutions meet design specifications.
- Verifying performance, security, and operational readiness.
- Deploying new capabilities into live environments safely.
- Minimizing service disruption during deployment.
- Enabling users and operational teams to adopt new capabilities effectively.

These objectives ensure that services transition smoothly from development environments into production environments where real users depend on them.

Release Management

Release management focuses on planning and coordinating the introduction of new or updated service components into the live environment. A release may include application updates, infrastructure changes, configuration updates, or new service features.

Release planning typically includes:

- Defining release scope and content.
- Scheduling release timelines.
- Coordinating release activities across teams.
- Preparing rollback and contingency strategies.

- Communicating upcoming changes to stakeholders.

In complex digital environments, releases often involve multiple interconnected systems. Effective release management ensures that these changes are introduced in a coordinated and predictable manner.

Testing and Validation

Testing plays a critical role in ensuring that newly built services function correctly and meet the requirements defined during the Design stage. Testing identifies defects, vulnerabilities, and performance issues before the service is introduced into operational environments.

Common testing activities include:

- Functional testing to verify that the service behaves as expected,
- Integration testing to ensure systems interact correctly,
- Performance testing to validate system capacity and responsiveness,
- Security testing to identify vulnerabilities, and
- UAT to confirm that the service meets stakeholder expectations.

Testing ensures that services are fit for purpose and fit for use, aligning with the ITIL concepts of utility and warranty, as introduced earlier in the book.

Deployment Management

Deployment involves the introduction of service components into operational environments. This may include deploying software applications, updating infrastructure configurations, or activating new service features.

Modern deployment strategies often emphasize automation and repeatability. Organizations commonly adopt approaches such as:

- Automated deployment pipelines
- Blue-green deployments
- Rolling updates
- Canary releases

The preceding deployment techniques minimize risk and allow organizations to introduce new capabilities with minimal disruption to users.

For example, a blue-green deployment strategy allows a new version of a service to run alongside the existing version until it has been validated. Once confirmed, traffic can be redirected to the new version, reducing the risk of service interruption.

Readers familiar with ITIL 4 will recognize that the Transition activity corresponds closely to several ITIL 4 management practices, including:

- Release Management
- Deployment Management
- Service Validation and Testing
- Change Enablement

In ITIL 4, these practices supported the Service Value Chain, particularly the Obtain/Build, Deliver, and Support activities.

ITIL Version 5 builds on these practices by positioning transition as a distinct lifecycle activity within Digital Product and Service Management. Rather than viewing release and deployment solely as operational practices, ITIL Version 5 highlights their role in enabling the evolution of digital products and services across the lifecycle.

This lifecycle perspective reflects the reality that digital services are continuously evolving rather than being delivered as static systems.

Supporting Continuous Delivery (CD)

Many modern organizations adopt CD practices, where new features and improvements are introduced frequently rather than through large and infrequent releases.

Transition activities must support:

- Rapid release cycles,
- Automated testing and deployment pipelines,
- Continuous feedback from operational environments, and
- Rapid rollback mechanisms when issues occur.

These capabilities allow organizations to deliver innovation quickly while maintaining operational reliability.

Preparing Operational Teams and Users

Transition activities also ensure that operational teams and users are prepared for the introduction of new capabilities. This may involve:

- Updating operational procedures.
- Providing training for support teams.
- Updating documentation and knowledge bases.
- Communicating service updates to users.

Preparing stakeholders for new capabilities ensures that services can be adopted effectively once deployed.

Risk Management in Service Transition

Introducing new capabilities into operational environments always carries some level of risk. The Transition activity includes mechanisms to identify and mitigate potential risks.

Risk management practices may include:

- Change evaluation and approval processes,
- Testing in controlled environments,
- Staged or phased deployments, and
- Rollback strategies for failed releases.

The preceding safeguards ensure that service changes do not compromise reliability or CX.

The outcomes of the Transition stage typically include:

- Deployed digital service components,
- Validated system performance and security,
- Updated operational documentation,
- Trained operational and support teams, and
- Confirmed readiness for operational service delivery.

Once transition activities are completed successfully, the service can move into the Operate stage of the lifecycle.

The Transition activity in the ITIL Product and Service Lifecycle ensures that newly developed or modified digital services are introduced into operational environments safely and effectively. Through structured release planning, rigorous testing, and controlled deployment practices, organizations can deliver new capabilities while maintaining service reliability.

While ITIL 4 addressed these capabilities through practices such as Release Management, Deployment Management, and Service Validation and Testing, ITIL Version 5 integrates these activities directly into the lifecycle of digital products and services. This approach supports the continuous evolution of digital services while ensuring stability, resilience, and value delivery.

Operate: Sustaining Live Services

The Operate activity in the ITIL Product and Service Lifecycle focuses on ensuring that digital products and services function reliably once they are introduced into live operational environments. After services have successfully passed through the Transition stage, they enter the operational phase where they must continuously deliver the outcomes expected by users, customers, and business stakeholders.

The purpose of the Operate activity is to maintain the stability, performance, and reliability of live services while ensuring that they deliver value over time. In modern digital organizations, operational management plays a critical role in maintaining customer trust, supporting business continuity, and enabling digital experiences that meet the evolving expectations.

Objectives of the Operate Activity

The primary objective of the Operate activity is to ensure that services perform consistently and efficiently in real-world environments. Once services are deployed, operational teams must continuously monitor, manage, and maintain service performance.

Key objectives of this activity include:

- Maintaining service availability and reliability.
- Monitoring system performance and operational health.
- Managing infrastructure and application environments.
- Detecting and responding to operational events.
- Ensuring operational resilience and stability.
- Enabling consistent delivery of service outcomes.

By achieving these objectives, organizations ensure that digital services remain dependable and capable of supporting business operations.

Monitoring and Event Management

Operational monitoring is essential for maintaining service reliability. Monitoring tools collect data about system performance, infrastructure health, application behavior, and user interactions. This information allows operational teams to identify anomalies or potential issues before they affect service delivery.

Event management processes analyze operational events generated by monitoring systems and determine whether action is required. Events may indicate normal operational conditions, warnings, or potential incidents.

For example:

- A server approaching resource capacity may generate a warning event.
- An application failure may generate a critical alert.
- Unusual system activity may indicate a security threat.

Early detection allows operational teams to respond proactively, reducing the likelihood of service disruptions.

Infrastructure and Platform Management

The Operate activity also includes managing the infrastructure and platforms that support digital services. These environments may include:

- Cloud infrastructure

- On-premise data centers
- Virtualized environments
- Containerized platforms
- Networking and security infrastructure

Operational teams ensure that such environments remain stable, secure, and capable of supporting service workloads.

Infrastructure management tasks may include:

- Resource capacity monitoring,
- Infrastructure patching and maintenance,
- Configuration management, and
- System performance optimization.

Effective infrastructure management ensures that digital services operate smoothly even as demand fluctuates.

Operational Resilience and Reliability

One of the most important aspects of sustaining live services is maintaining operational resilience. Digital services must remain available even when unexpected events occur, such as system failures, network disruptions, or cyber threats.

Thus, organizations implement resilience mechanisms such as:

- Redundancy and failover systems
- Backup and recovery processes
- Disaster recovery environments
- High-availability architectures

These mechanisms ensure that services can recover quickly from disruptions and continue delivering value to users.

Readers familiar with ITIL 4 will recognize that the Operate activity corresponds closely to several ITIL 4 management practices, including:

- Monitoring and Event Management
- Infrastructure and Platform Management

- Availability Management
- Capacity and Performance Management

In ITIL 4, these practices contributed primarily to the Deliver and Support activities within the Service Value Chain.

ITIL Version 5 expands on these ideas by positioning operational management as a dedicated lifecycle activity within Digital Product and Service Management. This lifecycle-oriented approach emphasizes that operational performance is not merely a support function but also a continuous contributor to value creation.

In other words, operating a service effectively is just as important as designing and building it.

Operational Feedback and Continuous Improvement

Operational environments generate valuable insights that improve digital services. Monitoring data, performance metrics, and user feedback provide information about how services behave in real-world conditions.

These insights often reveal opportunities for improvement, such as:

- Optimizing system performance.
- Improving the UX.
- Reducing operational costs.
- Enhancing security or reliability.

Therefore, operational feedback plays a key role in enabling continuous improvement and service evolution.

In many cases, insights from operational environments trigger new lifecycle activities such as Discover or Design, reinforcing the iterative nature of the lifecycle model.

Automation in Operations

Modern digital environments increasingly rely on automation to manage operational complexity. Automation tools can perform tasks such as:

- Automated monitoring and alerting
- Auto-scaling of cloud infrastructure
- Automated remediation of system issues
- Automated configuration management

Automation allows operational teams to manage large-scale digital environments efficiently while reducing the risk of human error.

Additionally, the integration of AI-driven operational analytics—often referred to as AIOps—enables organizations to detect patterns, predict incidents, and respond proactively to emerging issues.

Collaboration across Lifecycle Activities

The Operate activity must maintain strong connections with other lifecycle stages. For example:

- The Transition activities introduce new capabilities that must be supported operationally.
- The Support activities address incidents and service disruptions affecting operational services.
- The Discover activities may be triggered by insights from operational data.

This collaboration ensures that operational management contributes to the ongoing evolution of digital products and services.

Outputs of the Operate Activity

The outcomes of the Operate stage include:

- Stable and reliable service operations,
- Monitored and optimized system performance,
- Managed infrastructure environments,
- Operational performance data and insights, and
- Operational readiness for service delivery.

These outputs provide the foundation for the Deliver and Support activities, which focus on enabling customer outcomes and protecting service value.

The Operate activity in the ITIL Product and Service Lifecycle focuses on sustaining live digital services by maintaining system performance, reliability, and operational resilience. Through monitoring, infrastructure management, and operational oversight, organizations ensure that digital services deliver value to customers and stakeholders.

While ITIL 4 addressed many of these capabilities through practices such as Infrastructure and Platform Management and Monitoring and Event Management, ITIL Version 5 integrates operational management directly into the lifecycle of digital products and services. This lifecycle perspective highlights the importance of operational excellence in sustaining digital services and enabling continuous value creation.

Deliver: Enabling Customer Outcomes

The Deliver activity in the ITIL Product and Service Lifecycle focuses on ensuring that digital products and services successfully enable the outcomes expected by customers and users. While the Operate activity concentrates on maintaining the technical performance and stability of live services, the Deliver activity emphasizes the actual realization of value from those services through their effective use by service consumers.

The purpose of the Deliver activity is therefore to ensure that services generate the outcomes and experiences that stakeholders expect, thereby fulfilling the promise of value co-creation between service providers and service consumers.

In modern digital environments, delivering services is not simply a matter of making systems available. Organizations must ensure that services are usable, accessible, and capable of enabling the business activities and experiences for which they were designed.

Objectives of the Deliver Activity

The Deliver activity focuses on translating operational service capabilities into meaningful business outcomes. Once services are operational, they

must be made available in ways that allow customers and users to achieve their goals effectively.

Key objectives include:

- Enabling users to access and utilize services effectively.
- Ensuring service interactions support desired business outcomes.
- Maintaining service quality and customer satisfaction.
- Managing service levels and performance expectations.
- Facilitating user engagement and adoption of services.

Such objectives reinforce the central ITIL concept that services exist to enable outcomes rather than merely deliver technical outputs.

Service Consumption and Customer Outcomes

As explained earlier in this book, services create value by enabling customers to achieve outcomes without managing the associated costs and risks directly.

Thus, the Deliver activity focuses on the service consumption experience. This includes how customers access services, how users interact with them, and how effectively the service supports the intended business activities.

For example, a digital collaboration platform may operate reliably from a technical perspective. However, value is only realized when employees use the platform effectively to communicate, share knowledge, and collaborate on projects. The Deliver activity ensures that services are structured to allow users to achieve such outcomes.

This outcome-oriented perspective reflects the principles—as introduced in *Chapter 2, Introduction to Key Concepts of ITIL* —regarding value, outputs, and outcomes.

Managing Service Quality and Expectations

Delivering services effectively requires managing expectations around service quality and performance. Organizations typically define these expectations through Service Level Agreements (SLAs) and related performance metrics.

Service level management ensures that service providers and consumers share a common understanding of:

- Service availability targets,
- Performance expectations,
- Response and resolution times,
- Support coverage hours, and
- Service reliability standards.

Thus, by monitoring these commitments and reporting performance against them, organizations can ensure that service delivery remains aligned with stakeholder expectations.

Maintaining transparency in service performance also builds trust between service providers and service consumers, which is an essential element of effective service relationships.

CX and Service Perception

Beyond technical performance, the Deliver activity also focuses on the experience that customers and users have when interacting with services. UX and CX influence how stakeholders perceive the service value.

Key elements that influence service experience include:

- Ease of service access
- Intuitive User Interfaces (UI)
- Responsive service interactions
- Consistent performance across channels
- Timely communication and support

A service that performs well technically but is difficult to use may still fail to deliver value. Therefore, organizations must design service delivery mechanisms that prioritize user-centric experiences.

This experience-focused perspective reflects the growing importance of experience economy principles, which were introduced earlier in the book.

Readers familiar with ITIL 4 will recognize that the Deliver activity aligns closely with the Deliver and Support value chain activity within the ITIL 4

Service Value Chain.

Several ITIL 4 management practices (present in ITIL version 5) also contribute to this activity, including:

- Service Level Management
- Service Request Management
- Service Desk
- Service Catalog Management
- Relationship Management

In ITIL 4, the preceding practices supported the ongoing delivery of services to consumers and ensured that services met agreed expectations.

ITIL Version 5 extends this concept by explicitly recognizing the Deliver activity as a lifecycle activity focused on enabling customer outcomes. This reflects the broader shift toward Digital Product and Service Management, where services are viewed as evolving products that continuously deliver value through user interaction.

In other words, the Deliver activity emphasizes that value is realized when services are actually used to achieve desired outcomes, not simply when they are technically available.

Supporting Service Adoption

An important aspect of delivering value is ensuring that services are adopted and used effectively by stakeholders. Thus, organizations must support service adoption through mechanisms such as:

- User training and onboarding
- Clear service documentation
- User-friendly service portals
- Proactive communication about service capabilities

When users understand how to utilize services effectively, organizations can maximize the value generated by their digital investments.

Feedback and Continual Improvement

Service delivery activities also generate valuable feedback that can inform service improvement. Customer satisfaction surveys, service usage analytics, and feedback channels provide insights into how services are perceived and how they can be enhanced.

These insights often lead to improvements such as:

- Refining service features.
- Improving service accessibility.
- Optimizing service performance.
- Enhancing customer support processes.

This feedback loop supports the iterative lifecycle model as discussed earlier in this chapter.

Outputs of the Deliver Activity

The Deliver stage produces outcomes that demonstrate successful value realization. Typical outputs include:

- Enabled customer outcomes
- Satisfied service users
- Measured service performance against SLAs
- CX insights
- Feedback for service improvement

These outputs confirm that the services are not only operational but also actively enabling the outcomes they were designed to support.

The Deliver activity in the ITIL Product and Service Lifecycle focuses on enabling customers and users to achieve meaningful outcomes through the effective use of digital products and services. By managing service quality, supporting user adoption, and maintaining strong service relationships, organizations ensure that services generate real business value.

While ITIL 4 addressed similar capabilities through practices supporting the Deliver and Support value chain activity, ITIL Version 5 elevates service delivery as a dedicated lifecycle activity. This perspective reinforces the principle that the ultimate purpose of service management is not merely

operating systems, but also enabling valuable outcomes for customers and stakeholders.

Support: Incident, Problem, and Resilience Management

The Support activity in the ITIL Product and Service Lifecycle focuses on protecting the value delivered by digital products and services once they are operating in live environments. While the Operate activity ensures that services run reliably and the Deliver activity enables customer outcomes, the Support activity addresses situations where services deviate from expected performance.

Digital services inevitably encounter disruptions, technical issues, and operational challenges. The purpose of the Support activity is therefore to quickly restore normal service operations, identify the root causes of recurring issues, and strengthen service resilience to prevent future disruptions.

In modern digital environments, in which organizations rely heavily on technology-enabled services, effective support capabilities are essential for maintaining service reliability, customer trust, and business continuity.

Objectives of the Support Activity

The primary objective of the Support activity is to ensure that services continue to deliver value even when unexpected issues arise. This includes responding to service disruptions, analyzing underlying problems, and strengthening the resilience of digital systems.

Key objectives include:

- Restoring services quickly when incidents occur.
- Identifying and eliminating root causes of recurring issues.
- Minimizing the impact of disruptions on users and business operations.
- Improving system resilience and fault tolerance.
- Maintaining user confidence in digital services.

By achieving these objectives, organizations ensure that temporary service disruptions do not undermine long-term value delivery.

Incident Management

Incident management focuses on restoring normal service operation as quickly as possible following a service disruption. An incident may include any unplanned interruption to a service or reduction in service quality.

Examples of incidents include:

- Application failures
- Network connectivity disruptions
- Degraded system performance
- Authentication or access failures

When incidents occur, support teams diagnose the issue, apply temporary fixes or workarounds if necessary, and restore service functionality.

Rapid incident resolution is essential for minimizing the impact on users and business activities. Organizations often prioritize incidents based on their severity and business impact, ensuring that critical services receive immediate attention.

Therefore, incident management plays a crucial role in maintaining operational continuity.

Problem Management

While incident management focuses on restoring service quickly, problem management focuses on identifying and eliminating the underlying causes of recurring incidents, including all incidents of importance—such as major incidents and incidents that have not happened yet (proactive problem management)—based on other sources such as monitoring and release information from suppliers.

A problem is defined as the root cause of one or more incidents. Without addressing these root causes, incidents may continue to occur repeatedly, leading to recurring service disruptions.

Problem management activities typically include:

- Analyzing incident trends and patterns.
- Performing root cause analysis.
- Identifying permanent solutions.
- Implementing structural fixes to prevent recurrence.

For example, if multiple incidents occur due to a misconfigured application component, problem management would investigate the root cause and implement a permanent configuration correction.

Effective problem management improves service reliability and reduces operational workload over time.

Resilience and Service Continuity

In addition to managing incidents and problems, modern support practices must also focus on building resilience into digital services.

Resilience refers to the ability of a system to continue operating or recover quickly when disruptions occur. In complex digital ecosystems, resilience mechanisms are critical for maintaining service availability.

Organizations typically strengthen resilience through mechanisms such as:

- Redundant infrastructure
- Automated failover mechanisms
- Backup and recovery systems
- Disaster recovery environments
- Fault-tolerant architectures

These mechanisms ensure that services can continue operating even when individual components fail.

Therefore, resilience management complements incident and problem management by reducing the likelihood and impact of service disruptions.

Readers familiar with ITIL 4 will recognize that the Support activity closely corresponds to several ITIL 4 management practices, including:

- Incident Management
- Problem Management
- Service Desk

- Availability Management
- IT Service Continuity Management

In ITIL 4, these practices primarily contributed to the Deliver and Support activities within the Service Value Chain.

ITIL Version 5 builds upon these practices by positioning support as a dedicated lifecycle activity within Digital Product and Service Management. This reflects the growing importance of resilience and operational reliability in digital environments where services operate continuously and at large scale.

Therefore, by integrating support activities into the lifecycle, ITIL Version 5 emphasizes that managing disruptions is not merely an operational function but also an essential component of sustaining long-term service value.

Role of the Service Desk

The service desk often serves as the primary interface between users and service providers when issues arise. Users typically report incidents or service disruptions through the service desk, which coordinates incident resolution and escalates issues to specialized support teams when necessary.

The service desk therefore plays an important role in ensuring that users receive timely assistance and that service issues are tracked, managed, and resolved efficiently.

In addition, the service desk often gathers valuable feedback about service performance and UX, which can support continual improvement.

Automation and Intelligent Support

Modern support environments increasingly leverage automation and AI to improve incident detection and response.

Examples of intelligent support capabilities include:

- Automated incident detection through monitoring tools.
- AI-driven root cause analysis.
- Automated remediation of known issues.

- Predictive analytics that identify potential failures before they occur.

These capabilities allow organizations to move toward proactive and predictive support models, reducing service downtime and improving reliability.

Collaboration with Other Lifecycle Activities

Support activities interact closely with other lifecycle stages. For example:

- Recurring incidents may trigger Discover activities to identify improvement opportunities.
- Root cause analysis may inform Design improvements.
- Operational insights may influence Build or Transition activities' decisions.

This collaboration reinforces the iterative nature of the lifecycle model discussed earlier in the chapter.

Outputs of the Support Activity

The outcomes of the Support stage typically include:

- Restored service functionality after incidents,
- Identified root causes of recurring problems,
- Improved service resilience and reliability,
- Documented operational knowledge, and
- Insights for service improvement.

These outcomes ensure that digital services continue delivering value even when disruptions occur.

The Support activity in the ITIL Product and Service Lifecycle protects service value by managing incidents, addressing underlying problems, and strengthening service resilience. By responding quickly to disruptions and preventing their recurrence, organizations maintain the reliability and trust required for effective digital service delivery.

While ITIL 4 addressed these capabilities through practices such as Incident Management, Problem Management, and Service Continuity Management,

ITIL Version 5 integrates support activities directly into the lifecycle of digital products and services. This lifecycle perspective highlights the critical role of support in sustaining operational stability and enabling long-term value creation in modern digital environments.

Feedback Loops and Continual Improvement within the Lifecycle

Modern digital service environments operate in conditions of constant change. Customer expectations evolve rapidly, technologies advance continuously, and digital ecosystems grow increasingly complex. For this reason, the ITIL Product and Service Lifecycle is not designed as a rigid sequence of stages. Instead, it incorporates feedback loops and continual improvement mechanisms that allow organizations to refine and adapt digital products and services over time.

Feedback loops capture insights generated throughout lifecycle activities and use them to guide improvements. Information may originate from operational monitoring, incident and problem records, customer feedback, service usage analytics, security assessments, or supplier performance reviews. When analyzed effectively, these insights reveal service weaknesses, highlight improvement opportunities, and support better decision-making. For example, operational monitoring may expose performance bottlenecks, requiring architectural adjustments, while user feedback may identify usability issues that influence future design improvements.

Continual improvement is therefore treated as an ongoing capability rather than a periodic initiative. Organizations seek incremental improvements in areas such as service reliability, UX, operational efficiency, cost management, and risk mitigation. Over time, consistent small improvements significantly enhance overall service value.

Readers familiar with ITIL 4 will recognize the importance of continual improvement within the SVS. ITIL V2 introduced the Continual Improvement Model, which guides organizations through questions such as: “Where are we now?” “Where do we want to be?” “How do we get there?” and “Did we achieve the desired results?” ITIL Version 5 builds on these principles but integrates improvement more directly into the lifecycle of

digital products and services. Rather than existing as a separate model, improvement activities are embedded across lifecycle stages.

Feedback loops enable insights from one lifecycle activity to influence others. Operational monitoring during the Operate stage may reveal performance issues that trigger redesign efforts. Repeated incidents identified during the Support stage may lead to architectural improvements during the Design or Build stages. Similarly, UX feedback gathered during the Deliver stage can influence future service enhancements.

Modern organizations increasingly use data-driven and AI-enabled approaches to support improvement efforts. Analytics tools can detect anomalies in operational metrics, identify incident patterns, and recommend optimization opportunities. These capabilities allow organizations to move from reactive problem resolution toward predictive and proactive service improvement.

Effective improvement also requires organizational learning and governance. Knowledge captured from operational experiences and incident resolution should be documented and shared across teams through knowledge management practices. Governance mechanisms then prioritize improvement initiatives based on factors such as customer impact, risk reduction, cost efficiency, and strategic alignment.

Through integrated feedback loops and continual improvement, the ITIL Product and Service Lifecycle enables digital services to evolve continuously. While ITIL 4 positioned continual improvement within the SVS, ITIL Version 5 embeds improvement directly within lifecycle activities, reflecting the iterative nature of modern digital product and service management. This approach ensures that services remain reliable, adaptable, and capable of delivering sustained value in rapidly changing digital environments.

Integration with Value Streams and the ITIL Value System (VS)

The ITIL Product and Service Lifecycle operates as part of a broader value creation framework within the organization. While the lifecycle explains how digital products and services evolve—from discovery through operation and improvement—it must be integrated with value streams and

the ITIL VS to ensure that service management activities contribute directly to business outcomes.

In digital enterprises, value is rarely created by a single activity. Instead, it emerges through coordinated interactions among people, processes, technologies, and partners. Lifecycle activities therefore need to align with the mechanisms through which organizations design, create, deliver, and improve services.

A value stream represents the sequence of activities required to transform demand or opportunity into outcomes that create value. By mapping how work flows across teams, technologies, and functions, value streams provide visibility into service delivery and identify inefficiencies, remove bottlenecks, and optimize performance.

Typical value stream stages include identifying demand, designing service capabilities, developing and integrating solutions, deploying and operating services, and supporting users. These stages correspond closely with lifecycle activities such as Discover, Design, Acquire, Build, Transition, Operate, Deliver, and Support, making value streams the operational pathways through which lifecycle activities generate value.

Lifecycle activities provide the structural framework for managing digital services, while value streams describe how work flows through that structure to produce outcomes. For example, launching a new digital service may involve discovering opportunities, designing solutions, acquiring technologies, building components, transitioning services into production, operating systems, delivering outcomes to users, and supporting ongoing service reliability.

The ITIL VS, introduced in ITIL 4, provides the governance and structural environment in which these activities occur. The SVS includes guiding principles, governance, the service value chain, management practices, and continual improvement. The Service Value Chain—with activities such as Plan, Engage, Design and Transition, Obtain/Build, and Deliver and Support—describes how organizations organize work to create value.

ITIL Version 5 builds on this foundation by emphasizing Digital Product and Service Management and lifecycle thinking. While the SVS continues to provide governance and strategic alignment, the lifecycle model explains how digital services evolve operationally over time.

Integrating lifecycle activities with value streams enables organizations to optimize workflows through automation, improved collaboration, and enhanced visibility into service performance. In digital ecosystems that involve multiple partners—such as cloud providers, payment platforms, logistics partners, and development teams—the SVS provides governance while value streams and lifecycle activities guide execution.

Through feedback loops and continual improvement, organizations refine value streams using operational data, customer feedback, and performance metrics. This integration ensures that services evolve continuously, enabling sustainable value creation in complex digital environments.

Conclusion

The ITIL Product and Service Lifecycle provides a comprehensive framework for managing digital products and services from initial opportunity identification to ongoing operation, delivery, and continual improvement. By structuring service management activities into interconnected lifecycle stages—Discover, Design, Acquire, Build, Transition, Operate, Deliver, and Support—organizations gain a clear and practical model for coordinating the many capabilities required to create and sustain digital services.

Unlike traditional linear service management approaches, the lifecycle in ITIL Version 5 is intentionally iterative and adaptive. Lifecycle activities interact continuously, allowing organizations to respond dynamically to new insights, technological innovations, and evolving stakeholder expectations. Feedback from operational performance, UX, and service interactions drives continual refinement, ensuring that digital services remain aligned with business objectives and customer needs.

This chapter has demonstrated how each lifecycle activity contributes to value creation. The “Discovery” activities identify opportunities, “Design” activities structure solutions, “Acquisition” activities secure required resources, and “Build” activities transform concepts into functional digital capabilities. The “Transition” activities ensure controlled deployment into operational environments, while “Operate” and “Deliver” activities sustain service performance, enabling meaningful customer outcomes. “Support” activities protect service value through incident resolution, problem management, and resilience mechanisms.

The lifecycle model also reinforces the importance of integrating service management with value streams and the ITIL VS, enabling organizations to coordinate governance, operational workflows, and continual improvement across complex digital ecosystems.

Ultimately, the ITIL Product and Service Lifecycle provides organizations with a structured yet flexible approach to Digital Product and Service Management. By embracing iterative development, data-driven feedback, and cross-functional collaboration, organizations can continuously evolve their digital services, maintain operational resilience, and deliver sustained value in rapidly changing digital environments.

In the next chapter, we will cover the ITIL VS—the overarching model that explains how all components of ITIL Version 5 work together to enable value creation.

Multiple Choice Questions

1. What is the primary purpose of the ITIL Product and Service Lifecycle in ITIL Version 5?
    a. To replace the ITIL Service Value System (SVS)
    b. To provide a structured model for managing digital products and services from concept to continual improvement
    c. To define only operational processes for IT infrastructure
    d. To standardize software development methodologies
2. Which lifecycle activity focuses on identifying stakeholder needs, market opportunities, and strategic priorities?
    a. Design
    b. Build
    c. Discover
    d. Operate
3. In the ITIL Product and Service Lifecycle, which activity ensures that newly developed services are safely introduced into live environments?
    a. Transition

b. Deliver
c. Support
d. Discover

4. Which lifecycle activity is primarily responsible for enabling customer outcomes through the effective use of digital services?

   a. Operate
   b. Deliver
   c. Build
   d. Acquire

5. How does ITIL Version 5 differ from ITIL 4 in relation to lifecycle thinking?

   a. ITIL Version 5 removes lifecycle concepts entirely.
   b. ITIL Version 5 replaces the Service Value System (SVS) with sequential stages.
   c. ITIL Version 5 reintroduces lifecycle thinking by structuring Digital Product and Service Management around interconnected lifecycle activities.
   d. ITIL Version 5 focuses only on incident and problem management.

Answers

1. b
2. c
3. a
4. b
5. c

Questions

1. Explain the purpose of the ITIL Product and Service Lifecycle and how it supports the management of digital products and services in

modern organizations.

2. Why is a lifecycle perspective important when managing digital products and services in rapidly evolving digital environments?
3. Describe how the iterative and non-linear nature of the ITIL Product and Service Lifecycle supports agility and continuous service evolution.
4. Explain the objectives and key activities involved in the Discover stage of the lifecycle.
5. How does the Design activity ensure that digital products and services deliver both functional capability and stakeholder value?
6. Discuss the role of the Acquire activity in sourcing technologies, partners, and capabilities required for digital service delivery.
7. Explain how the Build activity contributes to the development and integration of digital solutions in modern service environments.
8. Describe the purpose of the Transition activity and explain how release, testing, and deployment practices ensure service readiness.
9. What is the difference between the Operate and Deliver activities within the lifecycle, and how do they contribute to value creation?
10. Explain how feedback loops and continual improvement mechanisms support the evolution of digital products and services throughout the lifecycle.

Key Terms

- **ITIL Product and Service Lifecycle:** A structured framework in ITIL Version 5 that explains how digital products and services evolve from discovery and design through development, operation, delivery, and continual improvement.
- **Discover:** A lifecycle activity focused on identifying stakeholder needs, market opportunities, and strategic priorities that guide the development of digital products and services.
- **Design:** The activity that transforms identified requirements and opportunities into structured digital solutions, including service architecture, UX, and operational processes.

- **Acquire:** The lifecycle activity responsible for sourcing technologies, supplier capabilities, and organizational resources required to build and deliver digital services.
- **Build:** The activity where digital components are developed, configured, integrated, and tested to create functional products or service capabilities.
- **Transition:** The process of introducing new or modified digital services into live environments through controlled release, testing, and deployment practices.
- **Operate:** The lifecycle activity responsible for maintaining the reliability, performance, and stability of digital services in operational environments.
- **Deliver:** An activity focused on enabling customers and users to achieve desired outcomes through the effective use of digital products and services.
- **Support:** The lifecycle activity that protects service value by managing incidents, resolving problems, and strengthening service resilience.
- **Continual Improvement:** An ongoing organizational capability that uses feedback, performance data, and operational insights to refine services, processes, and technologies over time.

CHAPTER 6

The ITIL Value System: Part I

Introduction

This chapter will introduce the ITIL Value System (IVS)—the overarching model that explains how all components of the Information Technology Infrastructure Library (ITIL) Version 5 work together to enable value creation. It establishes the structural logic that connects strategy, governance, practices, and continual improvement into a coherent operating model for Digital Product and Service Management (DPSM).

The chapter will begin by defining the IVS and explaining its purpose as a unifying framework that transforms demand and opportunities into value. It highlights how the IVS ensures alignment between organizational objectives and operational execution, creating a structured pathway from vision to outcomes.

Core components of the IVS are introduced, including the Guiding Principles, Governance, the Value Chain, Management practices, and Continual Improvement. The chapter will explain how these elements are not independent constructs but rather interdependent mechanisms that collectively support sustainable value creation.

Special emphasis is placed on ITIL's guiding principles, exploring how they serve as universal recommendations applicable to all organizational contexts. The principles are positioned as behavioral anchors that guide decision-making, adaptation, and transformation across digital environments.

The enabling role of governance is also introduced, clarifying how direction, oversight, and accountability ensure that value creation remains aligned with enterprise objectives, risk tolerance, and compliance requirements.

By the end of this chapter, readers will understand the architecture of the IVS and how it serves as the conceptual backbone for DPSM in ITIL Version 5.

Structure

In this chapter, we will discuss the following topics:

- Purpose and Structure of the ITIL Value System (IVS)
- Demand, Opportunities, and Value Creation
- Components of the IVS
- The ITIL Guiding Principles
- Applying the Guiding Principles in Practice
- Governance in the IVS
- Relationship between Governance and Management
- Integrated Nature of the IVS

Purpose and Structure of the ITIL Value System (IVS)

The IVS represents the overarching framework that explains how all components of ITIL Version 5 work together to enable value creation through digital products and services. It provides the structural logic that connects governance, guiding principles, management practices, and continual improvement into a coherent operating model for modern digital organizations.

In increasingly complex digital environments, organizations must coordinate multiple capabilities—including strategy, technology management, service delivery, and stakeholder engagement—to ensure that products and services consistently generate value. The IVS provides the integrated structure that enables this coordination.

As illustrated in the official ITIL framework, the IVS transforms demand and opportunities into value by guiding how organizations design, develop, deliver, and improve digital services.

Purpose of the IVS

The primary purpose of the IVS is to ensure that organizations continuously co-create value with customers and other stakeholders through effective product and service management.

In modern service environments, value creation does not occur through isolated activities. Instead, value emerges from the coordinated interaction of organizational capabilities such as governance, service management practices, technology management, and continual improvement.

The IVS provides a structured framework that allows organizations to:

- Align service management activities with strategic objectives.
- Coordinate multiple organizational capabilities.
- Transform demand and opportunities into valuable outcomes.
- Ensure accountability and governance across digital services.
- Enable continual adaptation and improvement.

By providing this structure, the IVS ensures that digital products and services evolve in ways that remain aligned with stakeholder expectations and organizational goals.

Inputs and Outputs of the Value System (VS)

At a high level, the IVS operates by transforming opportunities and demand into value.

Opportunities represent potential improvements or innovations that may enhance services or create new value for stakeholders. Demand represents the need or desire for products or services from customers or users.

These inputs enter the Value System (VS) and trigger coordinated activities within the organization. Through governance, management practices, value streams, and continual improvement, the organization converts these inputs into outputs that create value for customers, users, and other stakeholders.

The official ITIL model visually represents this transformation, showing demand and opportunities entering the VS and value emerging as the outcome of coordinated organizational activities.

Structural Components of the IVS

The IVS is composed of several interconnected components that collectively enable value creation. These components include:

Guiding Principles

The ITIL Guiding Principles are universal recommendations that guide decision-making and behavior across all aspects of service management.

These principles allow organizations to remain flexible and adaptive when applying ITIL practices in different contexts. Examples include focusing on value, progressing iteratively with feedback, collaborating, promoting visibility, and thinking and working holistically.

The guiding principles act as behavioral anchors that ensure consistency in decision-making across complex digital environments.

Governance

Governance ensures that organizational activities remain aligned with strategic objectives, risk tolerance, and regulatory obligations.

Within the IVS, governance provides oversight, direction, and accountability for service management activities. Governing bodies evaluate organizational performance, establish policies, and ensure that management activities support the organization's strategic goals.

Governance also ensures that digital technologies are used responsibly and that services are delivered in accordance with organizational policies and external regulations.

Value Chain

The value chain describes the operational model through which organizations transform demand into value. It organizes the key activities involved in designing, developing, delivering, and supporting digital services.

These activities can be combined into value streams, which represent the specific workflows through which organizations deliver products and services to customers.

Management Practices

Management practices represent the organizational capabilities required to perform work effectively. These management practices combine competencies, processes, tools, and resources to support product and

service management activities. By adopting holistic management practices, organizations can better navigate complexity, support value co-creation, and deliver reliable, innovative, and customer-focused digital services.

ITIL defines multiple management practices covering areas such as incident management, service desk operations, information security, supplier management, and service level management.

These management practices provide the operational foundation that enables organizations to execute value chain activities successfully.

Continual Improvement

Continual improvement ensures that organizations consistently enhance their services, management practices, and operational performance.

Improvement initiatives may focus on service quality, operational efficiency, User Experience (UX), risk management, or innovation. Thus, by embedding improvement into everyday operations, organizations can adapt to changing technologies, evolving customer expectations, and emerging market conditions.

Readers familiar with ITIL 4 will recognize that the concept of the SVS was first introduced in that version of the framework.

In ITIL 4, the SVS consisted of the following five major components:

- Guiding principles
- Governance
- Service value chain
- Management practices
- Continual improvement

ITIL Version 5 retains these structural elements but integrates them more explicitly with DPSM and the Product and Service Lifecycle model, which were introduced in earlier chapters of this book.

Where ITIL 4 emphasized value streams and the service value chain as the primary mechanism for value creation, ITIL Version 5 extends this perspective by incorporating lifecycle-oriented management of digital products and services. This integration provides clearer guidance on how

services evolve from initial concept through development, operation, and continual improvement.

Integrated Nature of the IVS

A defining characteristic of the IVS is its integrated nature. None of its components operates independently. Instead, they function as interdependent mechanisms that collectively support value creation.

For example:

- Governance establishes direction and accountability.
- Guiding principles influence decision-making across teams.
- Management practices provide the capabilities required to perform work.
- Value streams organize activities that deliver services.
- Continual improvement ensures ongoing adaptation and optimization.

Combined, these components form a holistic system that enables organizations to respond effectively to the changing business needs while maintaining alignment with strategic objectives.

Strategic Role of the IVS

The IVS serves as the conceptual backbone of DPSM in ITIL Version 5.

By providing a structured model that integrates governance, management practices, value streams, and continual improvement, the IVS enables organizations to transform demand and opportunities into meaningful outcomes for stakeholders.

In doing so, the IVS ensures that service management activities remain aligned with organizational strategy, technological innovation, and evolving customer expectations.

Demand, Opportunities, and Value Creation

Digital organizations operate in environments characterized by constant change, evolving customer expectations, and rapid technological innovation. In such conditions, organizations must continuously identify

new needs, respond to emerging opportunities, and translate these drivers into services that deliver meaningful value. Within the IVS, demand and opportunities represent the key inputs that trigger organizational activities and initiate value creation.

The IVS provides a structured mechanism through which these inputs are transformed into valuable outcomes for customers, users, sponsors, and other stakeholders. Rather than viewing product and service management as a collection of isolated processes, ITIL positions value creation as the result of coordinated organizational capabilities working together to address demand and capitalize on opportunities.

As described in the official ITIL model, opportunity and demand enter the VS as inputs, while value emerges as the outcome of coordinated product and service management activities.

Understanding Demand in Service Management

Demand represents the need or desire for products and services from customers and users. It typically arises when stakeholders require capabilities that support their business objectives or personal goals.

In digital environments, demand can originate from multiple sources, including:

- Business initiatives requiring new digital capabilities.
- Customer requests for new or improved services.
- Regulatory or compliance requirements.
- Operational needs within the organization.
- Technological innovation enabling new service possibilities.

Demand often manifests in the form of service requests, product requirements, improvement initiatives, or strategic transformation programs.

Within the IVS, demand acts as a signal that activates organizational capabilities. When demand is recognized, the organization must determine how to respond effectively by designing, developing, delivering, or improving digital products and services.

Understanding Opportunities

While demand represents explicit needs expressed by stakeholders, opportunities represent potential improvements or innovations that may create value even before a formal demand exists.

Opportunities may arise from several sources, such as:

- Emerging technologies such as Artificial Intelligence (AI) or automation,
- Market changes and new competitive pressures,
- Strategic business initiatives,
- Operational insights gained from service performance data, and
- Feedback from customers and users.

For example, an organization may identify an opportunity to introduce predictive analytics into its service management platform. Even if customers have not explicitly requested this capability, the organization may recognize that such innovation could improve service reliability and operational efficiency.

Therefore, opportunities represent proactive drivers of innovation and transformation within digital service environments.

Transforming Inputs into Value

The core objective of the IVS is to transform demand and opportunities into value through coordinated organizational activities.

Value in service management is not created solely by the service provider. Instead, value is co-created through interactions between service providers and service consumers—a concept that was introduced earlier in this book when discussing the fundamentals of DPSM.

Value may take different forms depending on stakeholder perspectives, including:

- Improved productivity for customers and users.
- Revenue growth or competitive advantage for organizations.
- Reduced operational risks.

- Enhanced customer experience.
- Greater organizational efficiency.

The IVS ensures that organizational activities consistently focus on generating these outcomes.

Role of the IVS in Value Creation

The IVS coordinates several organizational components to transform demand and opportunities into value.

These components include:

- **Guiding Principles** , which influence decision-making and behavior across the organization.
- **Governance** , which provides direction and oversight to ensure alignment with organizational objectives.
- **The Value Chain** , which organizes operational activities required to deliver services.
- **Management Practices** , which provide the capabilities required to perform work effectively.
- **Continual Improvement** , which ensures that services evolve over time.

By integrating these components, the IVS enables organizations to respond to demand and opportunities in a structured and consistent manner.

Readers familiar with ITIL 4 will recognize that the transformation of demand into value was already central to the SVS introduced in that version of the framework.

In ITIL 4, demand entered the SVS and triggered activities within the Service Value Chain, ultimately leading to the co-creation of value with stakeholders.

ITIL Version 5 builds upon this foundation but places greater emphasis on DPSM and lifecycle-oriented thinking. Earlier chapters of this book introduced the ITIL Product and Service Lifecycle, which explains how services evolve from discovery and design to delivery, operation, support, and continual improvement.

In this context, demand and opportunities trigger lifecycle activities such as:

- Discovering stakeholder needs, emerging technologies, and market opportunities that shape future service offerings.
- Designing digital service solutions, architectures, and value streams that address identified business and customer requirements.
- Acquiring the necessary tools, platforms, partnerships, and resources required to enable service capabilities.
- Building and integrating service components, applications, and infrastructure to realize the designed solutions.
- Transitioning services into live environments through controlled testing, validation, and deployment activities.
- Delivering services to customers by ensuring availability, performance, and adherence to agreed service levels.
- Operating the service environment to maintain stability, reliability, and continuous service functionality.
- Supporting users and services through issue resolution, assistance, and ongoing service improvements over time.

Thus, ITIL Version 5 strengthens the connection between the VS and the Product and Service Lifecycle, providing a more complete view of how digital services evolve and deliver value.

Continuous Flow of Value Creation

A key characteristic of the IVS is that value creation is continuous rather than transactional. Demand and opportunities do not appear only once; they emerge repeatedly as markets evolve, technologies advance, and stakeholder expectations change.

Organizations must therefore continuously monitor their environments to identify new demands and opportunities. Operational insights, customer feedback, and strategic analysis allow organizations to detect emerging needs and respond proactively.

This ongoing cycle ensures that digital products and services remain relevant, competitive, and aligned with organizational objectives.

Enabling Value in Digital Ecosystems

Modern digital services often operate within complex ecosystems involving multiple partners, suppliers, platforms, and technologies. Demand and opportunities may originate from any participant within this ecosystem.

The IVS provides the governance and structural alignment required to coordinate these interactions. By integrating stakeholders, technologies, and organizational capabilities, the IVS enables organizations to deliver consistent value even in highly distributed digital environments.

From Inputs to Outcomes

Demand and opportunities represent the starting point of value creation within the IVS. By transforming these inputs into structured activities, organizations can develop digital products and services that deliver meaningful outcomes for stakeholders.

Through the coordinated interaction of governance, guiding principles, value chain activities, management practices, and continual improvement, the IVS ensures that organizations consistently convert needs and opportunities into sustainable value.

Understanding this transformation process is essential for modern digital service management, as it provides the foundation for how organizations respond to change, innovate continuously, and deliver services that remain valuable over time.

Components of the IVS

The IVS provides the structural framework that explains how organizations coordinate their capabilities to transform demand and opportunities into value for stakeholders. As introduced earlier in this chapter, the IVS ensures that governance, operational activities, organizational capabilities, and improvement mechanisms work together in a coherent, integrated manner.

To achieve this objective, the IVS consists of several interconnected components. These components collectively guide how organizations design, deliver, manage, and continually improve digital products and services. Rather than operating independently, each component influences

and reinforces the others, creating a unified management system for value creation.

The core components of the IVS include:

- Guiding Principles
- Governance
- The Value Chain
- Management Practices
- Continual Improvement

Together, these elements establish the structure through which service management activities contribute to organizational objectives and stakeholder value.

Guiding Principles

The ITIL Guiding Principles are universal recommendations that help organizations to make decisions and take actions in a consistent and value-oriented manner. They provide a flexible set of guidelines that can be applied in any organizational context, regardless of industry, scale, or operating model.

In complex digital environments, organizations often face uncertainty and rapid change. The guiding principles ensure that decisions remain aligned with value creation even when detailed procedures or policies may not exist.

Examples of guiding principles include focusing on value, progressing iteratively with feedback, collaborating, promoting visibility, thinking and working holistically, keeping solutions simple and practical, and optimizing as well as automating.

These principles serve as behavioral anchors for the entire VS, influencing how organizations approach governance, service design, operational management, and improvement initiatives.

Readers familiar with ITIL 4 will recognize that the guiding principles were also introduced in the ITIL 4 SVS. It is worthwhile to note that the guiding principles were introduced in ITIL V3 as “9 Guiding Principles” in the 2015 release of the *ITIL Practitioner Guide* . ITIL Version 5 continues to

use these principles but emphasizes their application within DPSM and lifecycle-driven service evolution.

Governance

Governance plays a central role in the IVS by ensuring that organizational activities remain aligned with strategic objectives, regulatory obligations, and risk tolerance.

Governance provides direction, oversight, and accountability for the way digital services are managed and delivered. It ensures that management decisions support the long-term objectives of the organization and that resources are used effectively.

Typical governance responsibilities include:

- Evaluating organizational performance and strategy.
- Directing management activities and priorities.
- Monitoring outcomes and compliance with policies.
- Ensuring accountability for service delivery and performance.

The preceding objectives can be achieved with the following governance activities:

- **Engage Stakeholders:** The governing body engages stakeholders to identify needs, clarify commitments, and agree on accountability for technology use.
- **Evaluate** : The evaluation of the organization, alongside its strategy, portfolios, and relationships with other parties. The governing body evaluates the organization regularly as stakeholders' needs and external circumstances evolve.
- **Direct** : The governing body assigns responsibility and directs the preparation and implementation of organizational strategy and policies. Strategies set the direction and prioritization for organizational activity, future investment, and more. Policies establish the requirements for behavior across the organization and, where relevant, suppliers, partners and other stakeholders.
- **Monitor** : The governing body monitors the performance of the organization and its practices, products, and services. It is to ensure

that the performance is in accordance with policies and direction.

In modern digital organizations, governance must also address the responsible use of digital technologies, including data protection, cybersecurity, and the ethical use of AI.

While governance establishes direction and accountability, management is responsible for executing the activities required to achieve those objectives.

This distinction between governance and management was also present in ITIL 4, where governance formed one of the core components of the SVS. ITIL Version 5 continues this concept but places stronger emphasis on governance as an enabler of digital product and service lifecycle management.

The Value Chain

The Value Chain represents the operational model through which organizations convert demand and opportunities into valuable outcomes. It describes the key activities that organizations perform to design, develop, deliver, and improve digital products and services.

These activities can be combined and organized into value streams, which represent the specific workflows through which services are created and delivered to customers.

For example, a value stream may include activities such as identifying stakeholder needs, designing service capabilities, developing digital components, deploying solutions into operational environments, and supporting service usage.

Therefore, the value chain provides the operational structure through which organizational capabilities are coordinated to generate value.

Readers familiar with ITIL 4 will recognize that the Service Value Chain was introduced as the core operating model within the ITIL 4 SVS. ITIL Version 5 retains this concept but integrates it more closely with Digital Product and Service Lifecycle activities, creating a stronger connection between lifecycle management and value creation.

Management Practices

Management practices represent the organizational capabilities required to perform work effectively within the VS. These management practices combine processes, competencies, technologies, and resources that support the management of digital products and services.

Examples of management practices include:

- Incident management
- Change enablement
- Service level management
- Supplier management
- Information security management
- Service desk

Each management practice provides a structured approach for performing specific types of work while supporting broader organizational objectives.

In ITIL Version 5, management practices remain essential operational capabilities that enable organizations to execute value chain activities and lifecycle processes effectively. The management practices are grouped into two groups: product and service management practices and general management practices.

Readers with the knowledge of ITIL 4 will recall that the framework defined 34 management practices, grouped into categories such as general management practices, service management practices, and technical management practices. ITIL Version 5 utilizes these practices, grouped into 2 groups—22 Product and Service Management practices and 12 general management practices—while integrating them with lifecycle-oriented digital service management.

Continual Improvement in Organizations

Continual improvement in organizations always ensure that there is consistency in enhancing their services, practices, and operational performance over time. In dynamic digital environments, organizations cannot rely on static processes or technologies. Instead, they must continually adapt to new technologies, changing customer expectations, and emerging market conditions.

Improvement initiatives may focus on the following:

- Service performance and reliability
- Customer and UX
- Operational efficiency
- Risk reduction and security
- Innovation and technological capability

The ITIL continual improvement approach encourages organizations to use feedback, metrics, and performance data to identify improvement opportunities and implement changes in a structured manner.

Readers familiar with ITIL 4 will recognize the Continual Improvement Model, which provides a systematic method for identifying and implementing improvements. ITIL Version 5 continues to apply this model but embeds improvement more deeply across lifecycle activities, value streams, and digital product management.

Interconnected Nature of the Components

A key characteristic of the IVS is that its components operate as an integrated whole rather than independent mechanisms.

For example:

- **Guiding Principles** influence decisions across governance, management practices, and operational activities.
- **Governance** establishes direction and accountability for value creation.
- **The Value Chain** organizes operational activities required to deliver services.
- **Management Practices** provide the capabilities needed to perform those activities.
- **Continual Improvement** ensures that the entire system evolves over time.

Through this integration, the IVS provides organizations with a comprehensive framework for managing digital products and services in complex and rapidly changing environments.

Therefore, by understanding the components of the IVS and how they interact, organizations can ensure that their service management activities remain aligned with strategic objectives, operational excellence, and the continuous creation of value for stakeholders.

The ITIL Guiding Principles

In modern digital environments, organizations must constantly make decisions in the face of uncertain conditions, rapid technological changes, and evolving customer expectations. Detailed procedures and policies cannot anticipate every possible situation. For this reason, ITIL provides a set of Guiding Principles that help organizations to make consistent, value-oriented decisions across all aspects of DPSM.

The ITIL Guiding Principles are universal recommendations that guide organizations in adopting and adapting service management practices in different contexts. They provide a flexible framework for decision-making, ensuring that activities remain aligned with value creation even when circumstances change.

These principles apply to organizations of all sizes and industries; they can also be applied to strategic planning, operational management, service design, and continual improvement initiatives.

Readers familiar with ITIL 4 will recognize that the guiding principles were introduced as a core element of the SVS. ITIL Version 5 retains these principles but positions them more explicitly within the context of DPSM and lifecycle-driven service evolution.

The ITIL framework defines 7 guiding principles that support effective service management.

Focus on Value

The first and most fundamental principle is “focus on value.” Every activity performed by an organization should contribute directly or indirectly to value creation for stakeholders.

Value may take different forms depending on stakeholder’s perspective. For customers and users, value may be reflected in improved productivity, better UX, or reduced operational risks. For organizations, value may

include increased revenue, improved efficiency, or stronger competitive positioning.

Applying this principle requires organizations to understand:

- Who their service consumers are,
- What outcomes stakeholders expect, and
- How these services achieve those outcomes.

By maintaining a clear focus on value, organizations ensure that their resources and efforts are directed toward activities that generate meaningful benefits.

Start Where You are

Organizations often attempt to improve services by replacing existing systems or processes entirely. However, this approach can lead to unnecessary disruption and loss of valuable capabilities.

The principle—" *Start where you are* "—encourages organizations to assess their current state before implementing changes. Existing services, processes, tools, and knowledge may already contain valuable elements that can be reused or improved.

Before initiating transformation initiatives, organizations should:

- Evaluate existing capabilities and performance,
- Identify strengths and weaknesses, and
- Determine which elements can be retained or enhanced.

By building upon what already exists, organizations can reduce risks, minimize disruption, and accelerate improvement efforts.

Progress Iteratively with Feedback

Digital services rarely achieve perfection in a single implementation. Instead, they evolve gradually through iterative development and continuous learning.

The principle—" *Progress iteratively with feedback* "—encourages organizations to break large initiatives into smaller, manageable steps and

continuously gather feedback from stakeholders.

Iterative progress allows organizations to:

- Test ideas quickly.
- Detect issues early.
- Adjust strategies based on real-world insights.

Feedback may originate from customer interactions, operational metrics, performance monitoring, or service desk records. Incorporating this feedback ensures that services evolve in ways that remain aligned with stakeholder expectations.

This principle aligns closely with modern Agile, DevOps, and continuous delivery practices, which emphasize incremental improvement and rapid adaptation.

Collaborate and Promote Visibility

Successful service management requires collaboration across teams, departments, partners, and stakeholders. The principle—" *Collaborate and promote visibility* "—encourages organizations to work transparently and share information across organizational boundaries.

Collaboration improves decision-making by bringing together diverse perspectives and expertise. At the same time, visibility ensures that stakeholders understand how services are performing and how work is progressing.

Organizations can promote visibility through mechanisms such as:

- Shared dashboards and performance metrics
- Cross-functional teams
- Transparent communication channels
- Collaborative planning and decision-making processes

By encouraging collaboration and visibility, organizations can reduce misunderstandings, improve coordination, and accelerate value delivery.

Think and Work Holistically

Modern digital services operate within complex ecosystems that include technologies, processes, people, partners, and external influences. Changes in one part of the system often affect other parts.

The principle—"Think and work holistically"—encourages organizations to consider the entire system when designing and managing services.

This holistic perspective aligns closely with the following Four Dimensions of Service Management, as discussed earlier in this book:

- Organizations and people
- Information and technology
- Partners and suppliers
- Value streams and processes

Considering all dimensions ensures that service management decisions remain balanced and sustainable.

Keep It Simple and Practical

Complex solutions do not always produce better results. The principle—"*Keep it simple and practical* "—encourages organizations to eliminate unnecessary complexity and focus on solutions that deliver clear value.

When designing processes or services, organizations should:

- Remove unnecessary steps,
- Simplify workflows, and
- Avoid over-engineering solutions.

Practical solutions are easier to implement, maintain, and improve over time. This principle helps organizations to maintain agility and responsiveness in rapidly changing digital environments.

Optimize and Automate

The final guiding principle emphasizes the importance of optimizing processes and leveraging automation to improve efficiency and consistency.

Before automating activities, organizations must first optimize their processes to ensure that automation supports effective workflows rather

than inefficient ones.

Automation technologies may include:

- Workflow automation tools
- AI and machine learning
- Robotic process automation
- Predictive analytics

These technologies can reduce manual effort, improve accuracy, and enable organizations to focus on higher-value activities.

Role of the Guiding Principles in ITIL Version 5

The guiding principles influence every component of the IVS. They shape how organizations approach governance, design value streams, implement management practices, and pursue continual improvement.

In ITIL 4, the guiding principles were primarily positioned as recommendations for applying the SVS and Service Value Chain.

In ITIL Version 5, the principles play an even broader role. They guide how organizations manage digital products and services across their lifecycle, ensuring that discovery, design, development, delivery, and improvement activities remain aligned with value creation.

Guiding Principles as Decision-Making Foundations

Ultimately, the ITIL Guiding Principles serve as a decision-making compass for organizations navigating complex digital environments. They provide consistent direction even when formal procedures or detailed instructions may not exist.

By applying these principles consistently, organizations can:

- Maintain alignment with stakeholder value.
- Respond effectively to change.
- Improve collaboration across teams.
- Reduce complexity and operational risks.

- Drive continual improvement across digital services.

Understanding and applying the ITIL Guiding Principles is therefore essential for organizations seeking to successfully implement DPSM in ITIL Version 5.

Applying the Guiding Principles in Practice

The ITIL Guiding Principles provide universal recommendations for effective service management. However, their true value emerges when organizations apply them in real operational environments. In practice, the guiding principles influence how decisions are made, how teams collaborate, and how digital products and services evolve over time.

Rather than being applied individually or sequentially, the guiding principles should be considered together. Each principle complements the others, creating a balanced approach to managing digital products and services in complex environments. Organizations that consistently apply these principles are better positioned to deliver value, adapt to change, and improve their services continuously.

Applying the Principle: Focus on Value

Applying the principle " *Focus on value* " requires organizations to clearly understand who their stakeholders are and what outcomes those stakeholders expect. Every activity performed by the organization should ultimately contribute to value creation for customers, users, sponsors, and other stakeholders.

In practice, this principle can be applied by:

- Identifying service consumers and their expectations.
- Defining clear service outcomes and performance indicators.
- Aligning service design and operational activities with business objectives.
- Continuously evaluating whether services deliver the intended value.
- Using AI insights to anticipate needs and improve service.

Organizations should regularly assess how services contribute to stakeholder outcomes. For example, improving a service's technical performance may be beneficial only if it enhances the UX or supports business objectives.

Applying the Principle: Start Where You are

Organizations often assume that improvement requires starting from scratch. However, the principle " *Start where you are* " encourages organizations to assess their current capabilities before implementing major changes.

Practical application of this principle includes:

- Evaluating existing services, processes, and technologies.
- Identifying practices that already perform effectively.
- Leveraging available knowledge, tools, and expertise.
- Avoiding unnecessary disruption caused by complete system replacements.
- Using AI analytics to assess practices and identify improvement opportunities.

By analyzing their current state, organizations can build on existing strengths while addressing weaknesses through targeted improvements.

Applying the Principle: Progress Iteratively with Feedback

Large transformation initiatives often fail when organizations attempt to implement sweeping changes all at once. The principle " *Progress iteratively with feedback* " promotes incremental improvement through manageable steps.

In practice, this approach involves:

- Dividing initiatives into smaller deliverables.
- Releasing new capabilities gradually.
- Collecting feedback from users and stakeholders.

- Adjusting plans based on operational insights.
- Using AI insights to enable iterative improvements through continuous feedback.

Feedback plays a critical role in this principle. Organizations should gather information from multiple sources, including customer feedback, operational metrics, incident records, and service performance data. These insights refine the organization's services continuously.

This approach aligns closely with modern development methodologies such as Agile and DevOps, where iterative improvement and rapid feedback loops are essential for successful service delivery.

Applying the Principle: Collaborate and Promote Visibility

Service management activities often involve multiple teams and stakeholders. The principle " *Collaborate and promote visibility* " emphasizes the importance of open communication and shared understanding.

Organizations can apply this principle by:

- Encouraging cross-functional teamwork.
- Sharing performance metrics and service data across teams.
- Involving stakeholders in decision-making processes.
- Maintaining transparency in service management activities.
- Using AI platforms to share knowledge and enhance collaboration.

Visibility is particularly important in complex digital environments where different teams may work on interconnected components of a service. By ensuring that information is accessible and shared, organizations reduce misunderstandings and improve coordination.

Applying the Principle: Think and Work Holistically

Digital services operate within interconnected ecosystems. A change in one component can affect multiple parts of the organization. The principle " *Think and work holistically* " encourages organizations to consider the entire system when making decisions.

In practice, this means considering the following Four Dimensions of Service Management, as discussed earlier in this book:

- Organizations and people
- Information and technology
- Partners and suppliers
- Value streams and processes

Automation and AI can facilitate working holistically. For example, introducing a new technology platform may require changes to organizational skills, supplier relationships, and operational workflows. By considering all dimensions together, organizations can avoid unintended consequences and ensure sustainable improvements.

Applying the Principle: Keep It Simple and Practical

Complex solutions often introduce unnecessary costs, delays, and operational risks. The principle "Keep it simple and practical" encourages organizations to simplify processes and eliminate unnecessary steps.

Organizations can apply this principle by:

- Focusing on solutions that deliver clear value.
- Removing redundant process steps.
- Designing workflows that are easy to understand and maintain.
- Avoiding overly complicated procedures.
- Using AI analytics to simplify workflows and eliminate process inefficiencies.

Simplification improves efficiency and makes services easier to manage and improve over time.

Applying the Principle: Optimize and Automate

The principle "Optimize and automate" focuses on improving efficiency and reducing manual effort through the intelligent use of technology.

Before automating processes, organizations should first optimize their workflows to eliminate inefficiencies. Automating inefficient processes can amplify existing problems rather than solving them.

In practice, organizations may apply this principle by:

- Streamlining service workflows.
- Automating repetitive operational tasks.
- Implementing intelligent monitoring and analytics tools.
- Using AI to detect patterns and predict service issues.

Automation enables organizations to scale their operations while maintaining reliability and consistency.

Integrating the Guiding Principles

The guiding principles are most effective when applied collectively rather than individually. For example:

- Focusing on value ensures that improvement efforts align with stakeholder outcomes.
- Progressing iteratively supports continual improvement.
- Collaboration and visibility improve decision-making.
- Holistic thinking ensures that solutions remain balanced.
- Simplicity and automation enhance efficiency.

Together, the preceding principles create a consistent approach for managing digital products and services.

Readers familiar with ITIL 4 will recognize that these guiding principles were originally introduced within the SVS. ITIL Version 5 continues to use these principles but integrates them more deeply with digital product management, lifecycle activities, and value stream optimization.

By applying the guiding principles in practice, organizations can ensure that their service management activities remain adaptable, efficient, and focused

on delivering sustainable value.

Governance in the IVS

Governance plays a critical role in ensuring that organizations manage digital products and services in a responsible, accountable, and strategically aligned manner. Within the IVS, governance provides the structure through which organizational objectives, policies, and priorities guide service management activities.

In modern digital enterprises, services operate within complex ecosystems that include technologies, partners, regulatory obligations, and stakeholder expectations. Without clear governance mechanisms, organizations may struggle to maintain alignment between strategic objectives and operational activities. The IVS addresses this challenge by embedding governance as a core component that provides oversight, direction, and accountability.

Governance ensures that service management activities contribute to organizational goals while managing risks and ensuring compliance with relevant regulations and policies.

Purpose of Governance

The primary purpose of governance in the IVS is to ensure that organizational activities consistently support strategic objectives and deliver value to stakeholders.

Governance establishes the framework through which organizations evaluate opportunities, direct management activities, and monitor performance. It provides the mechanisms that enable leadership to guide decision-making and ensure accountability across all service management activities.

Effective governance enables organizations to:

- Align service management activities with business strategy,
- Ensure responsible use of resources,
- Manage risks associated with digital services,
- Maintain compliance with regulatory and policy requirements, and
- Evaluate the effectiveness of organizational performance.

By providing this oversight, governance ensures that the digital services remain aligned with long-term organizational objectives.

Governance and Organizational Leadership

Governance is typically the responsibility of an organization's leadership or governing body. This may include boards of directors, executive leadership teams, or governance committees responsible for strategic oversight.

These governing bodies are responsible for setting direction, defining policies, and ensuring that management activities support the organization's strategic vision.

Within the IVS, governance activities typically involve the following three primary responsibilities:

Responsibility 1: Evaluate

Governance bodies evaluate the organization's current performance, strategic objectives, and external environment. This evaluation determines which opportunities should be pursued and how resources should be allocated.

Evaluation activities may include reviewing service performance reports, assessing risks, analyzing market conditions, and identifying emerging opportunities.

Responsibility 2: Direct

After evaluating organizational conditions and priorities, governance bodies provide direction for management activities. This direction may include establishing policies, defining strategic priorities, and setting performance expectations for service management.

Directing management activities ensures that the organization moves toward its strategic objectives while maintaining compliance with governance requirements.

Responsibility 3: Monitor

Governance also involves monitoring the organization's performance to ensure that management activities remain aligned with established

objectives.

Monitoring activities may include reviewing performance metrics, evaluating service outcomes, assessing compliance with policies, and identifying areas where corrective actions may be required.

Engage Stakeholders

Governance bodies engage stakeholders by maintaining active communication and collaboration with internal and external stakeholders. This ensures that stakeholder needs, expectations, and feedback are understood and considered in decision-making, while also promoting transparency, accountability, and trust.

Combined, the evaluate–direct–monitor cycle ensures that governance remains an active and continuous process.

Governance and Management Responsibilities

A key principle within the IVS is the clear distinction between governance and management.

Governance focuses on direction and oversight, while management focuses on execution and operational implementation.

Governance responsibilities typically include:

- Establishing policies and strategic objectives.
- Ensuring accountability for service outcomes.
- Monitoring organizational performance.

Management responsibilities, on the other hand, include:

- Planning and executing operational activities.
- Implementing service management practices.
- Managing resources and operational workflows.
- Delivering services according to established policies.

This separation ensures that leadership focuses on strategic oversight while management teams focus on operational execution.

Readers familiar with ITIL 4 will recognize that this distinction was also present in the ITIL SVS, where governance provided oversight while management executed value chain activities and service management practices.

ITIL Version 5 retains this concept but emphasizes governance as an enabler of digital product and service lifecycle management, ensuring that services evolve in alignment with organizational strategy.

Governance in Digital Service Environments

In digital organizations, governance must address a broad range of considerations that extend beyond traditional service management. These include areas such as cybersecurity, data protection, regulatory compliance, and ethical use of emerging technologies.

Governance frameworks establish policies and controls that ensure digital services are managed responsibly.

Examples of governance considerations in modern service environments include:

- Ensuring cybersecurity and information protection.
- Complying with industry regulations and standards.
- Managing risks associated with digital transformation initiatives.
- Ensuring responsible use of AI and automation.
- Maintaining service reliability and operational resilience.

By addressing these considerations, governance allows organizations to maintain trust with customers, partners, and regulators.

Governance and the IVS

Governance influences every component of the IVS. It establishes the policies and direction that guide the design of value streams, the implementation of management practices, and the prioritization of improvement initiatives.

For example:

- Guiding principles influence how governance decisions are applied.

- The value chain executes activities aligned with governance direction.
- Management practices operate within governance policies.
- Continual improvement initiatives support governance objectives.

Through this integration, governance ensures that service management activities consistently support organizational goals and stakeholder value.

Governance as a Foundation for Value Creation

Ultimately, governance serves as the foundation that enables the IVS to function effectively. By providing strategic oversight, direction, and accountability, governance ensures that organizations manage digital products and services in ways that support long-term success.

In ITIL Version 5, governance plays an especially important role because organizations increasingly operate in digital ecosystems characterized by rapid innovation, complex partnerships, and evolving regulatory environments.

Strong governance allows organizations to navigate these complexities while maintaining alignment between strategy, operations, and continual improvement.

Understanding governance within the IVS, therefore, provides organizations with the leadership framework necessary to manage digital services responsibly and deliver sustained value to stakeholders.

Relationship between Governance and Management

Within the IVS, governance and management represent two closely related yet distinct functions that ensure organizations can effectively create value through digital products and services. While governance establishes direction and accountability, management is responsible for executing the activities required to achieve organizational objectives. Understanding the relationship between these two functions is essential for ensuring that service management activities remain aligned with strategic goals while operating efficiently in complex digital environments.

In modern organizations, digital services are supported by a wide range of operational capabilities, including technology platforms, development teams, suppliers, and service management practices. Without a clear relationship between governance and management, these activities may become fragmented, leading to inefficiencies, inconsistent decision-making, and misalignment with business objectives. The IVS addresses this challenge by clearly distinguishing governance responsibilities from management responsibilities while ensuring that both functions operate in a coordinated manner.

Distinguishing Governance from Management

Governance focuses on strategic oversight, direction, and accountability. It ensures that the organization's activities support its strategic objectives and comply with policies, regulations, and risk management requirements. Governance is typically performed by senior leadership or governing bodies such as boards of directors, executive committees, or strategic oversight groups.

Management, on the other hand, focuses on planning, executing, and coordinating operational activities. Management teams translate governance direction into actionable initiatives, implement service management practices, and ensure that services are delivered effectively to customers and users.

This distinction ensures that strategic decision-making remains separate from operational execution while maintaining alignment between the two.

Governance responsibilities typically include:

- Defining strategic objectives and policies.
- Establishing risk tolerance and compliance expectations.
- Evaluating organizational performance.
- Directing management priorities.
- Monitoring outcomes and accountability.

Management responsibilities typically include:

- Planning operational activities.
- Implementing service management practices.

- Managing resources and service capabilities.
- Coordinating service delivery and support.
- Reporting performance outcomes to governance bodies.

By maintaining this separation of responsibilities, organizations ensure that leadership can focus on long-term strategic direction while management teams focus on operational effectiveness.

Governance Guiding Management Activities

The relationship between governance and management is not hierarchical in a simplistic sense but rather directional and collaborative. Governance provides the strategic direction that guides management activities, while management provides operational feedback that informs governance decisions.

Governance establishes the policies, priorities, and objectives that management must follow. Management then designs and executes operational processes that support these objectives. For example, governance may define a strategic objective to improve digital service reliability, while management implements practices such as monitoring, incident management, and resilience engineering to achieve that goal.

This interaction ensures that service management activities remain aligned with business priorities while allowing management teams the flexibility to determine how those priorities should be implemented in practice.

Governance and Management in the IVS

Within the IVS, governance influences all other components of the framework. Governance decisions shape how guiding principles are applied, how value streams are designed, and how management practices are implemented.

Management activities operate within the boundaries established by governance. Management teams execute value chain activities, manage service management practices, and coordinate operational workflows that deliver services to customers.

This relationship ensures that:

- Governance provides strategic alignment and accountability.
- Management provides operational capability and execution.

Together, governance and management enable organizations to transform demand and opportunities into value through coordinated service management activities.

Readers familiar with ITIL 4 will recognize that the distinction between governance and management was also present in the ITIL SVS. In ITIL 4, governance provided direction and oversight, while management executed the activities of the Service Value Chain and service management practices.

ITIL Version 5 retains this foundational concept but integrates governance more closely with Digital Product and Service Lifecycle management. Earlier chapters of this book introduced lifecycle activities such as "Discover," "Design," "Acquire," "Build," "Transition," "Operate," "Deliver," and "Support." Governance influences these activities by defining priorities, allocating resources, and establishing performance expectations.

For example:

- Governance may prioritize investments in new digital services discovered through market analysis.
- Management teams then design, build, and deploy those services using lifecycle activities.
- Operational insights generated by management activities may later inform governance decisions about future investments.

This cyclical interaction ensures that governance and management continuously influence each other.

Feedback between Management and Governance

An important aspect of the governance–management relationship is the flow of feedback from management to governance. Management teams generate operational insights through service monitoring, performance metrics, customer feedback, and improvement initiatives.

These insights allow governance bodies to evaluate whether strategic objectives are being achieved and whether adjustments are required.

For example:

- Operational metrics may reveal declining service performance.
- Incident analysis may highlight systemic weaknesses.
- Customer feedback may indicate changing expectations.

Governance bodies use this information to refine policies, adjust strategic priorities, or allocate resources differently.

This feedback loop ensures that governance remains informed by operational realities rather than relying solely on strategic assumptions.

Governance and Management in Digital Ecosystems

Modern digital services often operate within ecosystems involving multiple partners, suppliers, and platforms. Governance ensures that these relationships remain aligned with organizational objectives and regulatory requirements.

Management teams coordinate the operational interactions required to deliver services across these ecosystems. For example, management may work with cloud providers, technology vendors, and service partners to deliver integrated digital services.

Governance establishes the policies and contractual frameworks that guide these interactions, while management ensures that operational activities are performed effectively.

Enabling Effective Service Management

The relationship between governance and management is fundamental to the success of the IVS. Governance provides the strategic oversight necessary to ensure that service management activities remain aligned with organizational objectives. Management translates this direction into operational capabilities that design, deliver, and improve digital products and services.

In ITIL Version 5, this relationship becomes even more important as organizations increasingly adopt digital product management, agile

development practices, and complex service ecosystems. Strong alignment between governance and management enables organizations to maintain control while remaining flexible enough to innovate and adapt.

By understanding how governance and management interact, organizations can ensure that their service management activities consistently support strategic objectives while delivering reliable and valuable digital services.

Integrated Nature of the IVS

The IVS is designed as an integrated framework that brings together multiple organizational capabilities to enable the creation of value through digital products and services. Rather than viewing service management as a collection of isolated processes, ITIL emphasizes that value emerges from the coordinated interaction of governance, guiding principles, value chain activities, management practices, and continual improvement mechanisms.

Modern digital organizations operate in highly interconnected environments where services depend on complex combinations of technologies, teams, suppliers, and operational processes. In such environments, individual activities cannot operate effectively in isolation. The IVS addresses this complexity by ensuring that all elements of service management work together as part of a unified system.

The integrated nature of the IVS ensures that strategic direction, operational execution, and continual improvement remain aligned across the entire organization.

A Holistic Framework for Value Creation

One of the defining characteristics of the IVS is its holistic perspective. Rather than focusing on individual processes or technical functions, the framework considers the entire ecosystem through which services are created, delivered, and improved.

This holistic approach aligns closely with the principle of thinking and working holistically, which was introduced earlier in this chapter as one of the ITIL Guiding Principles. Organizations must recognize that digital services depend on multiple interconnected components, including people, technologies, partners, and operational workflows.

The IVS, therefore, integrates these components into a single management framework that enables organizations to transform demand and opportunities into valuable outcomes.

Interconnection of VS Components

Each component of the IVS contributes to value creation, but none of them operates independently. Instead, the components interact continuously, influencing and reinforcing each other.

For example:

- **Guiding Principles** influence decision-making across governance, management practices, and operational activities.
- **Governance** establishes strategic direction and ensures accountability for service outcomes.
- **The Value Chain** organizes operational activities that transform demand into services and solutions.
- **Management Practices** provide the capabilities required to perform those activities effectively.
- **Continual Improvement** ensures that services, processes, and capabilities evolve over time.

Through this interaction, the VS functions as a cohesive management framework rather than a set of disconnected elements.

Integration with Organizational Capabilities

The IVS integrates a wide range of organizational capabilities that are required to deliver digital services successfully. These capabilities include:

- Product and service management
- Software development and engineering
- Infrastructure operations
- Cybersecurity and risk management
- Customer support and service desk operations
- Supplier and partner management

By coordinating the preceding capabilities within a unified framework, the VS ensures that service management activities remain aligned with business objectives and stakeholder expectations.

This integration is particularly important in modern digital organizations, where service delivery often depends on collaboration between multiple teams and external partners.

Relationship with Value Streams and Lifecycle Activities

Earlier chapters of this book introduced the ITIL Product and Service Lifecycle, which describes how digital services evolve through activities such as Discover, Design, Acquire, Build, Transition, Operation, Delivery, and Support.

These lifecycle activities operate within the broader structure of the IVS. The IVS provides the governance, guiding principles, and management capabilities that enable lifecycle activities to function effectively.

Similarly, value streams represent the operational workflows through which organizations deliver services to customers. Value streams organize activities across teams and technologies, ensuring that work flows efficiently from demand to value.

By integrating lifecycle activities, value streams, and management practices, the IVS ensures that service management activities remain coordinated across the organization.

Readers familiar with ITIL 4 will recognize that the concept of an integrated VS was introduced through the SVS. The SVS explained how organizational components such as guiding principles, governance, the service value chain, management practices, and continual improvement interact to enable value creation.

ITIL Version 5 builds on this foundation while strengthening the integration between the VS and the DPSM. Earlier chapters of this book introduced lifecycle-oriented service management, which provides additional structure for managing digital products and services from initial concept to continual improvement.

While ITIL 4 focused primarily on the interaction of the Service Value Chain and management practices, ITIL Version 5 expands the framework by explicitly connecting lifecycle management with the broader VS. This integration provides organizations with a clearer understanding of how services evolve and how value is created across the entire service lifecycle.

Supporting Digital Ecosystems

Another important aspect of the integrated VS is its ability to support complex digital ecosystems. Modern services often involve multiple stakeholders, including customers, suppliers, technology providers, and strategic partners.

The IVS provides the structure needed to coordinate these relationships. Governance establishes policies and accountability, guiding principles influence collaborative behavior, and management practices provide the operational capabilities required to deliver services across organizational boundaries.

This integrated approach ensures that services can be delivered consistently, even when multiple organizations contribute to the service ecosystem.

Enabling Continuous Adaptation

The integrated nature of the IVS also supports continuous adaptation in rapidly changing environments. As technologies evolve and customer expectations shift, organizations must be able to adjust their services quickly and effectively.

As all components of the VS are interconnected, improvements in one area can influence the entire system. For example, operational insights may lead to improvements in management practices, while governance decisions may reshape value streams or lifecycle activities.

This dynamic interaction allows organizations to continuously refine their service management capabilities.

A Unified System for Sustainable Value

The IVS functions as a unified framework that integrates governance, operational capabilities, and continual improvement mechanisms. By

ensuring that all elements of service management work together coherently, the VS enables organizations to transform demand and opportunities into sustained value for stakeholders.

In ITIL Version 5, this integrated approach becomes even more important as organizations increasingly rely on digital services, agile development practices, and complex service ecosystems. By understanding the integrated nature of the IVS, organizations can better coordinate their activities, adapt to change, and deliver reliable digital services that support long-term organizational success.

Conclusion

This chapter explained the structure and role of the IVS as the central framework that enables organizations to transform demand and opportunities into meaningful value. By integrating guiding principles, governance, value chain activities, management practices, and continual improvement, the IVS provides a holistic model for managing digital products and services in complex environments.

The chapter highlighted how governance establishes direction and accountability, while management translates strategic objectives into operational execution. It also demonstrated how demand and opportunities trigger coordinated activities across value streams, ensuring that services evolve in alignment with stakeholder expectations. The guiding principles act as practical decision-making anchors, maintaining focus on value while navigating change and uncertainty.

A key theme throughout the chapter is the integrated nature of the VS, where each component influences and reinforces the others. This integration ensures that digital service management remains aligned with organizational strategy, operational capabilities, and continual improvement initiatives.

Readers familiar with ITIL 4 will recognize that the SVS formed the foundation for this model. ITIL Version 5 expands this perspective by integrating lifecycle-oriented DPSM, strengthening the connection between strategy, governance, and operational service delivery.

Understanding the IVS provides the conceptual foundation for managing modern digital services. However, to apply this framework effectively,

organizations must understand how value is actually created through operational activities.

The next chapter will explore the ITIL Value Chain in detail, explaining how organizations organize activities and value streams to transform demand into valuable digital products and services.

Multiple Choice Questions

1. What is the primary purpose of the ITIL Value System (IVS)?
    a. To define operational procedures for service desks
    b. To transform demand and opportunities into value through coordinated activities
    c. To replace organizational governance structures
    d. To standardize technology platforms across organizations
2. Which of the following is NOT a core component of the IVS?
    a. Guiding Principles
    b. Governance
    c. Financial Accounting Framework
    d. Continual Improvement
3. In the IVS, what role does governance primarily perform?
    a. Executing operational service management tasks
    b. Monitoring and resolving incidents
    c. Providing direction, oversight, and accountability
    d. Developing service automation tools
4. What is the key distinction between governance and management in the IVS?
    a. Governance focuses on strategy and oversight, while management focuses on execution
    b. Governance performs operational service delivery
    c. Management defines policies and strategic objectives
    d. Governance manages incident and change processes

5. In ITIL Version 5, how is the concept of the IVS extended compared with ITIL 4?
    a. By removing the Service Value Chain
    b. By introducing lifecycle-oriented Digital Product and Service Management (DPSM)
    c. By eliminating guiding principles
    d. By replacing management practices with technical frameworks

Answers

1. b
2. c
3. c
4. a
5. b

Questions

1. Explain the purpose of the ITIL Value System (IVS) and its role in enabling value creation.
2. Describe how demand and opportunities function as inputs within the IVS.
3. Discuss the key components of the IVS and how they interact with each other.
4. Explain the role of governance in ensuring alignment between service management activities and organizational strategy.
5. Describe the relationship between governance and management within the IVS.
6. Explain how the ITIL Guiding Principles influence decision-making in service management.
7. Discuss the significance of the value chain in transforming demand into value.

8. Explain how management practices support value chain activities within the IVS.
9. Describe the role of continual improvement in maintaining service effectiveness in dynamic digital environments.
10. Discuss how ITIL Version 5 strengthens the connection between the ITIL Value System and Digital Product and Service Lifecycle management compared to ITIL 4.

Key Terms

- **ITIL Value System (IVS):** A structured framework that integrates governance, guiding principles, value chain activities, management practices, and continual improvement to transform demand and opportunities into value.
- **Demand:** The need or desire for products or services expressed by customers or users.
- **Opportunities:** Potential improvements or innovations that may create value for stakeholders.
- **Governance:** The system through which organizations direct, evaluate, and monitor activities to ensure alignment with strategic objectives.
- **Value Chain:** The operational model describing the key activities that convert demand into value through service creation and delivery.
- **Management Practices:** Organizational capabilities consisting of processes, competencies, tools, and resources used to perform work effectively.
- **Continual Improvement:** An ongoing effort to enhance services, processes, and performance through incremental improvements.
- **Guiding Principles:** Universal recommendations that guide decision-making and behavior in service management.
- **Value Streams:** Workflows that combine value chain activities and practices to deliver specific services or products.
- **Value Co-Creation:** The process through which service providers and service consumers collaborate to generate value through services.

CHAPTER 7

The ITIL Value System: Part II

Introduction

This chapter will build upon the foundational understanding of the ITIL Value System (IVS) by exploring its operational components in greater depth. It focuses on how the Value Chain, Management Practices, and Continual Improvement interact to drive measurable organizational performance and sustainable digital outcomes.

The chapter will begin with a detailed examination of the ITIL Value Chain, explaining how its activities coordinate to convert demand into value. It highlights how value chain activities can be organized into value streams that are tailored to specific products, services, or stakeholder needs.

Management practices are then introduced as structured organizational capabilities that support the value chain. The chapter explains the grouping of practices, alongside their role in ensuring consistency, performance optimization, and governance alignment.

Continual Improvement is presented as a dynamic mechanism embedded within the IVS. The chapter outlines how systematic improvement ensures adaptability, innovation, and resilience in rapidly changing digital environments.

The chapter will also explain how metrics, Critical Success Factors (CSFs), and performance indicators provide visibility and control, enabling organizations to measure effectiveness and refine strategies. The integration of automation and Artificial Intelligence (AI) within value chain activities is discussed to illustrate how modern organizations enhance efficiency and responsiveness.

By the conclusion of this chapter, readers will understand how the components of the IVS operate together in practice, ensuring that strategy, governance, execution, and improvement remain continuously aligned.

Structure

In this chapter, we will cover the following topics:

- The ITIL Value Chain and Its Purpose

- Value Chain Activities and Their Interactions
- Organizing Value Chain Activities into Value Streams
- Role of Management Practices within the Value System
- Practice Groups and Organizational Capabilities
- Metrics and Critical Success Factors (CSFs)
- The Continual Improvement Model
- Embedding Improvement into Organizational Culture
- Automation and AI within the Value Chain
- Aligning Strategy, Operations, and Outcomes

The ITIL Value Chain and Its Purpose

The ITIL Value Chain is a central operational model within the IVS. It explains how organizations transform demand and opportunities into value through coordinated activities and organizational capabilities. While the IVS provides the overall structure for value creation, the value chain represents the operational engine that converts strategy into tangible outcomes for customers and stakeholders.

In practical terms, the ITIL Value Chain describes how work flows across the organization to discover, design, acquire, build, transition, operate, deliver, support, and continually improve digital products and services. It provides a structured yet flexible model that helps organizations to align their operational activities with strategic objectives while maintaining adaptability in complex and dynamic environments.

In Information Technology Infrastructure Library (ITIL) 4, the Service Value Chain was introduced as the core operating model for value creation. It described six interconnected activities—"Plan," "Improve," "Engage," "Design and Transition," "Obtain/Build," and "Deliver and Support"—working together to transform demand into value. The Service Value Chain in ITIL 4 emphasized flexible workflows and the ability to organize activities into value streams tailored to specific services.

ITIL Version 5 continues this foundational concept while strengthening its integration with Digital Product and Service Management (DPSM) and the Product and Service Lifecycle model, as introduced earlier in this book. Rather than viewing value creation solely through operational service

management activities, ITIL Version 5 connects the value chain more explicitly with lifecycle-oriented management of digital products and services. This integration ensures that strategic planning, product innovation, operational delivery, and continual improvement operate as part of a unified system.

The purpose of the ITIL Value Chain can therefore be understood through several key objectives.

First, it provides a structured model for organizing service management activities. Modern organizations operate in highly interconnected environments involving multiple teams, technologies, partners, and processes. The value chain provides a clear framework that coordinates these capabilities in a coherent and goal-oriented manner.

Second, the value chain enables value co-creation between service providers and service consumers. In ITIL, value is not produced by the provider alone; it emerges through interaction between organizations, customers, users, partners, and other stakeholders. The value chain structures these interactions so that the outcomes are consistently aligned with stakeholder expectations.

Third, the value chain enables adaptability. Unlike traditional linear service management models, the ITIL Value Chain is not designed as a rigid sequence of steps. Activities can occur iteratively, simultaneously, or in different sequences depending on the specific value stream being executed. This flexibility allows organizations to respond rapidly to technological change, evolving customer expectations, and dynamic market conditions.

Fourth, the value chain promotes integration across organizational capabilities. Digital service delivery depends on effective collaboration of multiple functions, such as development teams, operations teams, support teams, governance bodies, and external suppliers. By defining a shared operational structure, the value chain enables these diverse capabilities to operate as a coordinated system rather than isolated functional silos.

Another important purpose of the ITIL Value Chain is to provide visibility and control over value creation activities. By organizing work into identifiable value-creating activities and value streams, organizations can monitor performance, measure outcomes, and identify improvement opportunities. Metrics, key performance indicators, and CSFs can be

aligned with value chain activities to ensure transparency and accountability.

The value chain also supports continual improvement. Improvement is not treated as a separate activity that is performed occasionally; rather, it is embedded within every value chain activity. Operational insights, performance metrics, customer feedback, and emerging opportunities continuously inform improvements to services, processes, and capabilities. This approach ensures that organizations remain responsive and resilient in rapidly evolving digital ecosystems.

In ITIL Version 5, the value chain also plays an important role in supporting automation and AI-enabled service management. As organizations adopt advanced technologies such as intelligent automation, predictive analytics, and Generative AI (GenAI), the value chain provides a structural framework for embedding these technologies into operational workflows. Automation can optimize repetitive tasks, enhance decision-making, and improve responsiveness across value chain activities.

The relationship between the value chain and value streams is also essential to understanding its purpose. While the value chain defines the generic set of activities used to create value, value streams represent specific workflows that combine these activities to deliver particular products or services. Each value stream may use value chain activities differently depending on the type of service, stakeholder needs, and organizational context.

For example, the value stream used to resolve a customer incident may involve engaging with users, diagnosing the issue, restoring service, and communicating the resolution. In contrast, the value stream for introducing a new digital product may involve discovery, design, development, testing, deployment, and operational monitoring. In both cases, the value chain provides the structural foundation that enables these workflows to function effectively.

Another key element of the ITIL Value Chain is its integration with management practices. Management practices represent the organizational capabilities—such as incident management, change enablement, service level management, and knowledge management—that support value chain activities. These practices provide the processes, tools, competencies, and governance mechanisms necessary for executing value streams successfully.

By linking practices to value chain activities, organizations can ensure that operational capabilities are consistently aligned with value creation objectives. This integration avoids fragmented management approaches and instead adopts a holistic operating model for DPSM.

Ultimately, the ITIL Value Chain serves as the operational backbone of the IVS. It ensures that strategy, governance, practices, and continual improvement work together to create value for customers, partners, and the broader stakeholder ecosystem.

By understanding the purpose of the value chain, organizations gain clarity on how work flows across the enterprise to deliver outcomes that matter. The model provides both structure and flexibility, enabling organizations to operate efficiently while remaining adaptable in an increasingly digital and interconnected world.

Value Chain Activities and Their Interactions

The ITIL Value Chain is composed of a set of interconnected activities that collectively transform demand and opportunities into value for customers and other stakeholders. These activities represent the operational building blocks through which organizations discover, design, acquire, build, transition, operate, deliver, support, and improve digital products and services. While the value chain provides a structural model for value creation, it is the interaction between its activities that enables organizations to respond effectively to changing business needs and technological environments.

In ITIL 4, the Service Value Chain introduced six primary activities: Plan, Improve, Engage, Design and Transition, Obtain/Build, and Deliver and Support. These activities formed the core operational workflow through which services were managed and delivered. ITIL Version 5 recognizes these foundational activities but places them within a broader context that integrates more closely with DPSM and the Product and Service Lifecycle, as discussed in earlier chapters.

Rather than functioning as isolated processes, value chain activities operate as a coordinated system. Each activity interacts with others through inputs and outputs that enable information, resources, and decisions to flow throughout the organization. This interconnected structure ensures that the

organization can respond dynamically to opportunities, risks, and stakeholder expectations.

One of the key characteristics of the ITIL Value Chain is its non-linear structure. Traditional management models often assume that work progresses sequentially through predefined stages. However, digital service environments require much greater flexibility. Activities within the value chain can occur simultaneously, iteratively, or in different sequences depending on the specific value stream being executed. This flexibility allows organizations to tailor their workflows to the nature of the service, the urgency of demand, and the complexity of the operational environment.

The interaction between value chain activities can be understood through the flow of inputs and outputs. Each activity receives inputs from other activities, stakeholders, or external sources and produces outputs that contribute to subsequent activities. These outputs may include information, service components, knowledge artifacts, operational insights, or completed deliverables. The continuous exchange of these outputs enables coordination across teams and organizational units.

Within the ITIL 4 Service Value System (SVS), activities can be aligned to the expanded value chain to reflect how value is created and sustained. For instance, the Discover activities focus on identifying stakeholder needs, capturing demand, and gathering feedback or service requests. These insights guide the design phase, where requirements are translated into service concepts and architectures aligned with organizational objectives.

Subsequently, the Acquire and Build activities ensure that the necessary resources, components, and capabilities are either sourced or developed to realize the designed solution. The transition activity then prepares and moves these components into the live environment in a controlled and effective manner.

Once operational, the Operate and Deliver activities ensure that services function reliably and meet agreed expectations, providing value to customers in real-time. Other than that, support activities maintain service quality by resolving issues, assisting users, and sustaining performance.

Combined, these activities form a continuous, integrated flow, where feedback from the Operate and Support stages feeds back into the Discover

and Design stages, enabling ongoing improvement of services, practices, and value streams in alignment with ITIL 4 principles.

Another important aspect of value chain interaction is the feedback loop mechanism. Feedback generated during service delivery, customer interactions, operational monitoring, or performance measurement flows back into earlier activities within the value chain. This continuous feedback ensures that organizations can detect inefficiencies, respond to emerging issues, and identify opportunities for improvement. The presence of these feedback loops reinforces the iterative nature of the value chain and supports continual improvement across all service management activities.

In ITIL Version 5, the interaction between value chain activities is further strengthened by its alignment with the Product and Service Lifecycle model, as introduced earlier in this book. Lifecycle activities such as Discover, Design, Acquire, Build, Transition, Operate, Deliver, and Support provide a broader perspective on how digital products evolve over time. The value chain complements this lifecycle model by explaining how operational workflows coordinate the execution of these lifecycle activities.

For instance, the Discover and Design activities within the lifecycle often rely on engagement and planning activities within the value chain to understand stakeholder needs and strategic priorities. Similarly, the Build and Transition lifecycle activities align closely with the Obtain/Build and Design/Transition value chain activities, which were originally introduced in ITIL 4. Operational lifecycle activities, such as Operate and Deliver, interact with the Deliver and Support activities of the value chain. This alignment ensures that lifecycle management and operational value creation remain tightly integrated.

Another critical aspect of value chain interaction is collaboration across organizational capabilities. Digital service delivery typically involves multiple teams, including development teams, infrastructure operations teams, security specialists, governance bodies, customer support units, and external partners. Each of these participants contributes to different value chain activities. Effective collaboration ensures that the outputs produced by one activity become meaningful inputs for another.

For example, development teams may produce software components that become inputs for deployment and operational teams. Support teams may generate insights from incident resolution that inform improvement

initiatives or influence future design decisions. Governance bodies may establish policies and compliance requirements that guide planning and design activities across the organization.

The integration of automation and AI technologies further enhances the interaction between value chain activities. Automation platforms can streamline repetitive operational tasks, while AI-driven analytics can identify patterns in service performance, predict potential failures, and recommend optimization opportunities. These technologies accelerate information flows between value chain activities, enabling faster decision-making and more efficient service delivery.

Another benefit of strong interaction between value chain activities is improved organizational transparency and visibility. When workflows are clearly defined and interconnected, organizations gain better insight into how value is created and delivered. This visibility allows leaders to monitor performance across the value chain, identify bottlenecks, and allocate resources more effectively.

Metrics and performance indicators can also be mapped to specific value chain activities, enabling organizations to measure the effectiveness of each activity and the efficiency of interactions between them. For example, response times in engagement activities, deployment success rates in transition activities, or resolution times in support activities provide valuable insights into operational performance.

Ultimately, the effectiveness of the ITIL Value Chain depends on how well its activities interact with one another. When activities are properly coordinated, organizations can deliver services more efficiently, respond more quickly to changing demands, and continuously enhance value for stakeholders.

The value chain, therefore, represents not merely a collection of operational activities but also a dynamic system of collaboration, feedback, and continual improvement. By ensuring that activities remain interconnected and aligned with strategic objectives, organizations can maintain agility and resilience in increasingly complex digital ecosystems.

Organizing Value Chain Activities into Value Streams

While the ITIL Value Chain provides a structural model for value creation, organizations rarely execute value chain activities in isolation. Instead, these activities are combined and organized into value streams that represent the specific workflows used to deliver digital products and services. A value stream describes the end-to-end sequence of steps required to convert demand into value for customers and stakeholders.

In ITIL 4, value streams were introduced as the mechanism through which organizations operationalize the Service Value Chain. A value stream combines value chain activities with management practices, resources, and technologies to deliver a particular outcome. ITIL Version 5 retains this concept but strengthens its integration with DPSM and the Product and Service Lifecycle model, as described earlier in this book.

Therefore, a value stream represents the practical execution path of value creation. While the value chain defines the core activities available to the organization, value streams determine how those activities are combined to address specific types of demand, such as resolving incidents, deploying new digital services, or delivering customer support.

Understanding the Structure of Value Streams

A value stream typically begins with a trigger such as customer demand, a business opportunity, or an operational event. From that point onward, the value stream coordinates a sequence of activities across different teams and organizational capabilities. These activities draw upon value chain components such as planning, stakeholder engagement, service design, development or acquisition of components, service delivery, and operational support.

Each value stream acts as a customized workflow that aligns organizational capabilities toward a specific outcome. The steps within a value stream may involve multiple teams, tools, technologies, and governance mechanisms working together to achieve the desired result.

For example, consider a value stream associated with resolving a service incident. The workflow might begin with user engagement, specifically when a service request or incident is reported. The incident is then assessed and prioritized; technical teams investigate the issue, a resolution is implemented, and the service is restored. Feedback and operational insights

generated during this process may subsequently trigger improvement initiatives.

Similarly, a value stream associated with introducing a new digital service might include stages such as demand identification, solution design, development, testing, deployment, operational monitoring, and continual improvement. In this case, multiple value chain activities collaborate to transform a strategic opportunity into a functioning digital service.

Relationship between Value Streams and the Product and Service Lifecycle

One of the significant evolutions introduced in ITIL Version 5 is the stronger connection between value streams and the Product and Service Lifecycle model. The lifecycle model explains how digital products evolve through activities such as Discover, Design, Acquire, Build, Transition, Operate, Deliver, and Support. Value streams provide the operational workflows that enable these lifecycle activities to be executed in practice.

For example, a value stream for launching a new digital product may begin with discovery activities that identify stakeholder needs. The Design, Acquire, and Build activities translate those needs into technical solutions, while the Transition activities ensure that the product is successfully deployed into live environments. Operational and support activities then sustain the product's performance while collecting feedback for future improvements.

In this way, value streams serve as the operational bridge between lifecycle management and value chain activities. They ensure that strategic product management, technical development, and service delivery operate as part of a unified system rather than as isolated organizational functions.

Readers familiar with ITIL 4 will recognize that value streams already played a central role in organizing service delivery workflows. However, ITIL Version 5 expands this perspective by aligning value streams more closely with digital product thinking and lifecycle management, reflecting the increasing importance of continuous product evolution in modern digital enterprises.

Designing Effective Value Streams

Designing effective value streams requires organizations to consider several important factors.

First, organizations must clearly understand the desired outcomes associated with a service or product. Value streams should be designed around delivering outcomes rather than merely executing operational tasks. This outcome-oriented approach ensures that the activities within the value stream directly contribute to value creation.

Second, value streams should align with the four dimensions of product and service management, as discussed earlier in this book: organizations and people, information and technology, partners and suppliers, and value streams and processes. Considering these dimensions ensures that value streams remain balanced and sustainable.

Third, organizations should incorporate feedback mechanisms and continual improvement within their value streams. Feedback from customers, operational teams, and performance monitoring systems identifies opportunities for optimization. Embedding improvement within value streams ensures that services evolve in response to changing stakeholder expectations and technological capabilities.

Fourth, organizations should leverage automation and intelligent technologies to enhance the efficiency of value streams. Automation tools can streamline repetitive tasks, while AI-driven analytics can provide insights into service performance, capacity trends, and potential operational risks. These technologies enable faster decision-making and improve the responsiveness of value streams.

Benefits of Value Stream Organization

Organizing value chain activities into value streams provides several significant benefits for organizations.

First, value streams enhance visibility across service delivery workflows. By clearly mapping how activities interact to deliver outcomes, organizations gain a better understanding of dependencies, bottlenecks, and performance constraints.

Second, value streams improve cross-functional collaboration. As value streams span multiple teams and capabilities, they encourage coordinated work across development, operations, governance, and customer support functions.

Third, value streams support agility and adaptability. Modern organizations must respond rapidly to market changes, emerging technologies, and evolving customer expectations. Flexible value streams allow organizations to adjust workflows and priorities without disrupting the entire operational model.

Finally, value streams strengthen alignment between strategy and execution. When value streams are designed to support organizational objectives, strategic initiatives can be translated into operational actions more effectively.

Value Streams as the Operational Expression of the IVS

Within the broader IVS, value streams represent the practical mechanism through which value is delivered. They translate governance decisions, strategic priorities, and management practices into concrete workflows that create outcomes for customers and stakeholders.

By organizing value chain activities into value streams, organizations can ensure that their operational capabilities remain aligned with business objectives while maintaining flexibility in how work is performed.

Role of Management Practices within the Value System

While the ITIL Value Chain provides the operational structure through which organizations convert demand into value, the actual execution of these activities depends on the organization's capabilities. In the ITIL framework, these capabilities are represented by management practices. Management practices provide the methods, competencies, tools, and governance mechanisms required to ensure that value chain activities can be performed effectively and consistently.

Within the IVS, management practices act as the operational enablers of value creation. They support the coordination of people, processes, technology, and information required to deliver digital products and services. Without these practices, the value chain would remain a conceptual model rather than a functioning operational system.

In ITIL 4, management practices replaced the earlier concept of "processes" used in previous ITIL versions. The term "practice" was intentionally chosen to reflect a broader perspective that includes not only processes but also roles, policies, tools, knowledge, and organizational culture. ITIL 4 identified 34 management practices organized into 3 broad categories: general management practices, service management practices, and technical management practices.

ITIL Version 5 continues to recognize these management practices as the fundamental organizational capabilities required for DPSM. However, ITIL Version 5 places greater emphasis on how these practices interact with the Product and Service Lifecycle, value streams, and AI-enabled operational environments. This reflects the increasing complexity of digital ecosystems and the need for integrated operational capabilities across the organization.

Management Practices as Organizational Capabilities

In ITIL Foundation Version 5, management practice guides are designed with a clear and consistent structure that enables organizations to understand and apply each practice effectively. This structured approach ensures that every practice is presented in a standardized way, covering essential elements such as its purpose, key concepts, activities, roles, and performance considerations. As a result, users can easily navigate and interpret the guidance, regardless of the specific practice being applied. The benefits of these practice guides lie in their ability to provide practical, actionable, and adaptable guidance that supports real-world implementation. They improve consistency, enhance performance measurement, and align practices with overall business objectives. Additionally, the guides facilitate better decision-making, support continual improvement, and enable organizations to adopt practices in a flexible manner based on their specific context and maturity level. Together, the

structured format and associated benefits make ITIL Version 5 practice guides a valuable resource for managing and improving products and services.

Management practices represent the structured ways of performing work that allow organizations to deliver consistent, reliable outcomes. Each practice encompasses a combination of elements, including processes, roles and responsibilities, tools and technologies, documentation, governance mechanisms, and specialized skills.

For example, practices such as incident management, change enablement, and service level management provide structured approaches for handling operational issues, controlling changes to services, and maintaining agreed service performance. These practices support the Deliver and Support activities of the value chain by ensuring that services remain stable, reliable, and aligned with customer expectations.

Similarly, practices such as service design, service configuration management, and release management support the Design, Build, and Transition activities within the value chain. These practices ensure that services are developed with proper architectural structure, tested for reliability, and deployed in a controlled manner.

Other practices operate at a strategic level. For instance, strategy management, portfolio management, and risk management influence planning activities by ensuring that organizational priorities are aligned with business objectives and stakeholder expectations. These practices allow organizations to make informed decisions about investments, innovation, and service development.

Through these capabilities, management practices provide the operational discipline required to execute value streams effectively.

Integration of Practices with Value Chain Activities

Management practices do not function in isolation from the value chain; rather, they interact dynamically with each of the eight value chain activities—Discover, Design, Acquire, Build, Transition, Operate, Deliver, and Support—to address specific operational requirements. A single value

chain activity may draw upon multiple practices, while an individual practice can contribute across several activities.

For example, the Discover activity is strongly supported by practices such as relationship management, service desk management, and service request management. These practices facilitate effective stakeholder engagement, enabling accurate capture of demand, expectations, and feedback.

The Design activity is enabled by practices such as service design and architecture management, ensuring that service concepts are structured and aligned with business objectives. Moving forward, the Acquire and Build activities leverage practices related to supplier management, software development, and resource management to source or develop the necessary service components.

The Transition activity is supported by practices such as change enablement and release management, ensuring that new or modified services are introduced into the live environment in a controlled and reliable manner.

Once services are live, the Operate and Deliver activities depend on operational practices, including monitoring and event management, service level management, and capacity and availability management to maintain consistent performance and value delivery. Complementing this, the support activity relies on incident management and problem management practices to resolve disruptions efficiently and sustain service quality.

Through this integration, management practices remain tightly aligned with value chain activities, ensuring that organizational capabilities continuously support and enhance value creation across the service lifecycle in accordance with ITIL principles.

Practice Groups and Organizational Structure

In ITIL 4, management practices were categorized into three groups: general management practices, service management practices, and technical management practices. This categorization helped organizations to understand the scope of capabilities required for effective service management.

ITIL Version 5 places greater emphasis on how these practices function as a part of an integrated ecosystem, supporting digital products and services. These 34 practices are regrouped as 22 Product and Service management

practices and 12 general management practices. Rather than treating practices as independent functional areas, ITIL Version 5 encourages organizations to view them as interconnected capabilities supporting the entire lifecycle of digital offerings.

This perspective reflects the reality that modern digital services are delivered through collaboration between multiple disciplines. Development teams, infrastructure operations teams, security specialists, data analysts, and customer support units all contribute to service delivery. Management practices provide the common structure that enables these diverse capabilities to collaborate effectively.

Management Practices and Continual Improvement

Another critical role of management practices within the IVS is supporting continual improvement. Practices generate operational data, performance metrics, and experiential insights that identify opportunities for improvement.

For example, incident management practices generate data about service disruptions, while monitoring practices provide information about system performance and capacity. By analyzing these insights, organizations can identify recurring issues, optimize processes, and improve service reliability.

In ITIL Version 5, continual improvement is treated as an embedded capability across all value chain activities and management practices. This ensures that the services evolve continuously in response to changing stakeholder expectations, technological innovation, and operational experience.

Supporting Automation and AI-Driven Service Management

As organizations increasingly adopt automation and AI technologies, management practices also play an essential role in integrating these technologies into operational workflows. Practices such as monitoring and

event management, knowledge management, and incident management are particularly well-suited to automation and AI-assisted decision-making.

Automation can streamline repetitive operational tasks, while AI-driven analytics can identify patterns in service performance, predict potential failures, and recommend optimization strategies. When integrated into management practices, these technologies significantly enhance the efficiency and responsiveness of the value chain.

ITIL Version 5 acknowledges that the future of service management will increasingly involve human–AI collaboration, where intelligent technologies augment human decision-making and operational execution.

Enabling Value Creation through Practices

Ultimately, management practices provide the operational capabilities that allow the IVS to function effectively. They ensure that organizational knowledge, skills, tools, and governance mechanisms are aligned with the workflows required to deliver digital products and services.

By integrating management practices with value chain activities and value streams, organizations can ensure that strategic objectives are translated into operational outcomes. This alignment allows organizations to deliver reliable services, respond to evolving customer expectations, and sustain continual improvement.

Practice Groups and Organizational Capabilities

Within the IVS, management practices represent the operational capabilities that enable organizations to execute value chain activities and deliver value through digital products and services. However, these practices do not exist in isolation. They are typically organized into practice groups, which allow organizations to structure their operational capabilities in a coherent and manageable way.

Practice groups provide a logical way to categorize and coordinate the diverse capabilities required for effective service management. Thus, by grouping related practices together, organizations can align expertise, responsibilities, and governance structures in a way that supports both operational efficiency and strategic alignment.

In ITIL 4, management practices were formally organized into the following three primary categories:

- General Management Practices
- Service Management Practices
- Technical Management Practices

These categories allow organizations to understand that service management is not limited to operational IT processes, but rather it also includes broader organizational capabilities such as governance, risk management, architecture management, and workforce management.

ITIL Version 5 continues to recognize these practice groups as foundational elements of the service management framework. In ITIL version 5, there are 22 Product and Service management practices and 12 general management practices.

However, ITIL Version 5 emphasizes their role as organizational capabilities supporting the DPSM and the broader lifecycle of digital offerings. Rather than focusing solely on operational service delivery, practices in ITIL Version 5 are positioned as capabilities that support innovation, lifecycle management, and value stream optimization.

General Management Practices

In ITIL Version 5, general management practices continue to represent capabilities that are applicable across the entire organization, rather than being limited to service management alone. These practices provide the foundation for strategic decision-making, governance, risk management, and overall organizational effectiveness.

General management practices are as follows:

- Strategy Management
- Portfolio Management
- Risk Management
- Workforce and Talent Management
- Architecture Management
- Knowledge Management

- Organizational Change Management
- Continual Improvement
- Measurement and Reporting
- Project Management
- Relationship Management
- Supplier Management

The preceding practices ensure that the organization maintains clear strategic direction, financial sustainability, and strong governance structures. They also enable alignment between product and service management activities and broader business objectives.

For example, strategy management ensures that digital products and services are aligned with business priorities, while portfolio management supports informed investment decisions across product and service initiatives. Risk management ensures that both operational and technological risks are identified, assessed, and mitigated effectively.

In ITIL 4 and its evolution into ITIL Version 5, these practices become increasingly critical as organizations shift toward product-centric operating models, where continuous value delivery and adaptability are essential.

Product and Service Management Practices

In ITIL Version 5, the second unified category is known as “Product and Service Management Practices.” This reflects the modern approach, where digital services are managed as evolving products, supported by integrated operational and technical capabilities.

This category includes the following practices:

- Incident Management
- Problem Management
- Change Enablement
- Service Request Management
- Service Level Management
- Monitoring and Event Management
- Service Desk

- Service Configuration Management
- Release Management
- Deployment Management
- Infrastructure and Platform Management
- Software Development and Management
- Availability Management
- Business Analysis
- Capacity and Performance Management
- Information Security Management
- IT Asset Management
- Service Catalogue Management
- Service Continuity Management
- Service Design
- Service Financial Management
- Service Validation and Testing

These practices collectively support the full lifecycle of products and services, including design, development, deployment, operation, and continual enhancement. They ensure that digital offerings remain reliable, scalable, and aligned with user expectations.

Operational practices such as incident management, problem management, and service desk management ensure that disruptions are resolved efficiently and user support is consistently delivered. Practices such as monitoring, event management, and service level management maintain performance and service quality.

At the same time, technical practices such as software development, deployment management, and infrastructure management enable the creation, delivery, and maintenance of the underlying technology that support these products and services.

In ITIL 4, these practices were categorized separately as service management and technical management practices, whereas in ITIL Version 5, they are integrated to reflect a more holistic, product-oriented lifecycle. This integration supports continuous delivery, rapid adaptation, and value

stream alignment, recognizing that modern digital services are not static assets but continuously evolving products.

In modern digital organizations, technical management practices often operate within DevOps-oriented environments, where development and operations teams collaborate closely to deliver services rapidly and reliably. ITIL Version 5 recognizes this reality and emphasizes the integration of technical practices with value streams and lifecycle activities.

Organizational Capabilities and Cross-Functional Collaboration

Practice groups collectively represent the organizational capabilities required to deliver value through digital products and services. Each practice contributes specialized knowledge, tools, and processes that enable the organization to perform specific functions effectively.

However, successful service management requires more than simply implementing individual practices. It requires cross-functional collaboration across practice groups.

For example:

- A new digital service may require collaboration between architecture management, service design, development practices, and change enablement.
- Resolving a major incident may involve incident management, infrastructure management, monitoring practices, and knowledge management.
- Launching a new digital product may require coordination between strategy management, portfolio management, development teams, and operational support teams.

By organizing practices into coherent groups, organizations can develop specialized capabilities while still maintaining strong integration across operational workflows.

Practices as Dynamic Organizational Capabilities

Another important aspect of ITIL Version 5 is the recognition that practices should not be treated as static process definitions. Instead, they represent dynamic capabilities that evolve alongside organizational needs and technological innovation.

Practices may incorporate automation, advanced analytics, and AI to improve operational efficiency. For example:

- AI-assisted monitoring systems can enhance event management.
- Automated workflows can accelerate incident resolution.
- Predictive analytics can support capacity planning and risk management.

These technologies allow practices to operate more efficiently while enabling organizations to respond faster to the changing business conditions.

Enabling Value Creation across the IVS

Ultimately, practice groups and organizational capabilities provide the operational foundation that enables the IVS to function effectively. They ensure that value chain activities can be executed reliably, value streams can deliver outcomes efficiently, and continual improvement can be embedded across the organization.

By structuring practices into logical groups and integrating them with value chain activities, organizations can create a cohesive service management environment that supports both operational excellence and strategic innovation.

Metrics and Critical Success Factors (CSFs)

In modern digital organizations, the effectiveness of service management cannot be determined solely by the completion of operational activities. Organizations must continuously evaluate whether their digital products and services deliver meaningful outcomes for customers and stakeholders. Within the IVS, metrics and CSFs provide the mechanisms through which organizations measure performance, monitor value creation, and guide continual improvement.

Metrics, CSFs, and Practice Success Factors (PSFs) collectively form the measurement foundation of the IVS. They provide visibility into how effectively value chain activities, value streams, and management practices support the organization's strategic objectives. In particular, PSFs define what success looks like for each practice and serve as the basis for establishing capability criteria. By systematically applying these measures, organizations can evaluate performance, identify strengths and inefficiencies, and prioritize targeted improvement initiatives. PSFs are described in the General Information section of the practice guides.

In ITIL 4, performance measurement was already recognized as an important element within the Continual Improvement Model and within various management practices such as service level management, monitoring and event management, and incident management. ITIL Version 5 emphasizes these concepts but places greater importance on data-driven decision-making and outcome-based measurement within DPSM.

Understanding CSFs

A CSF represents a key condition or capability that must be achieved for a service, practice, or organizational initiative to succeed. CSFs identify the essential elements that determine whether an organization can effectively deliver value.

In service management environments, CSFs typically focus on aspects such as service reliability, operational efficiency, customer satisfaction, and business alignment. For example, a CSF for incident management might be the ability to restore services rapidly while minimizing the impact on users. A CSF for service design may focus on ensuring that new services meet both functional and performance requirements.

CSFs help organizations to answer a fundamental question: What must we achieve to deliver value successfully?

By clearly identifying CSFs, organizations establish a foundation for defining meaningful performance metrics.

Role of Metrics in Service Management

While CSFs define the conditions for success, metrics provide measurable indicators to evaluate whether those conditions are being achieved. Metrics translate abstract goals into quantifiable performance indicators that can be monitored and analyzed.

Metrics may measure various aspects of service management performance, including:

- Service availability and reliability
- Incident resolution time
- Change success rates
- Customer satisfaction and user experience
- Operational efficiency and resource utilization
- Service delivery costs
- Compliance with Service Level Agreements (SLAs)

These measurements allow organizations to monitor how well their services perform in operational environments. They also provide evidence-based insights that support strategic decision-making and operational improvement.

In ITIL 4, metrics were closely associated with service level management and continual improvement initiatives. ITIL Version 5 expands this perspective by aligning metrics more explicitly with value streams, lifecycle activities, and digital product performance.

Linking Metrics to Value Chain Activities

A fundamental aspect of performance measurement within the IVS is ensuring that metrics are aligned with value chain activities. Since each activity contributes directly to value creation, it should be evaluated using relevant and meaningful performance indicators.

For example, the Discover activities can be assessed through measures such as the effectiveness of identifying customer needs, stakeholder feedback, and opportunity recognition. The Design and Transition activities may be evaluated using metrics such as release frequency, deployment success rates, and defect detection efficiency. The Acquire and Build activities can be measured through development productivity, integration reliability, and

adherence to delivery timelines. The Operate, Deliver, and Support activities typically rely on indicators such as incident resolution time, service availability, and operational stability. Additionally, improvement efforts can be tracked by measuring the number of initiatives implemented and their impact on service performance.

By linking performance metrics to each value chain activity, organizations gain clear visibility into how their operational workflows contribute to the overall value creation.

Metrics within Value Streams

In addition to measuring individual value chain activities, organizations must evaluate the performance of value streams, which represent the end-to-end workflows to deliver services.

Value stream metrics often focus on flow efficiency and outcome delivery, including indicators such as:

- Lead time from demand to delivery
- Cycle time for service changes or incident resolution
- Throughput of service requests or development tasks
- Error rates and service quality indicators
- Customer satisfaction with delivered outcomes

Monitoring the preceding metrics identifies bottlenecks within workflows and optimizes how work flows across teams and technologies.

This value stream perspective reflects the growing influence of Lean and DevOps principles, which emphasize flow efficiency, continuous delivery, and rapid feedback.

Role of Metrics in Continual Improvement

Metrics play a critical role in enabling continual improvement within the IVS. Improvement initiatives must be based on objective evidence rather than assumptions. Performance metrics provide the data required to identify improvement opportunities and evaluate the effectiveness of implemented changes.

For example, a recurring pattern of incidents may reveal weaknesses in service design or infrastructure reliability. Monitoring trends in incident data allows organizations to identify the root causes and implement corrective actions.

Similarly, customer satisfaction surveys may reveal gaps in service quality or usability. These insights can inform improvements to service design, operational workflows, or support processes.

ITIL Version 5 emphasizes that improvement should be embedded within value streams and lifecycle activities, rather than treated as a separate initiative. Metrics act as continuous feedback mechanisms that guide improvement efforts across the organization.

Outcome-Based Measurement in ITIL Version 5

A notable shift emphasized in ITIL Version 5 is the increased focus on outcome-based measurement. Traditional IT performance measurement often focused primarily on technical metrics such as system uptime or network performance. While these metrics remain important, they do not always reflect the value experienced by service consumers.

Outcome-based measurement focuses on how services contribute to business objectives and user experiences. Examples include improved employee productivity, faster transaction processing, enhanced customer engagement, or reduced operational risks.

This shift aligns with the broader ITIL principle of focusing on value, ensuring that measurement frameworks reflect stakeholder outcomes rather than purely technical performance indicators.

Data, Automation, and Performance Insights

Modern service management environments increasingly rely on automation, monitoring tools, and advanced analytics to generate performance data. Technologies such as observability platforms, predictive analytics, and AI provide organizations with deeper insights into service performance and operational trends.

These technologies allow organizations to collect and analyze large volumes of operational data in real time. Automated dashboards and

analytics tools can highlight anomalies, predict potential service disruptions, and recommend optimization opportunities.

In ITIL Version 5, such technologies are viewed as important enablers of data-driven service management, allowing organizations to make faster and more informed decisions.

Supporting Strategic Alignment

Ultimately, the purpose of metrics and CSFs within the IVS is to ensure that operational activities remain aligned with organizational strategy. Measurement frameworks evaluate whether digital products and services are delivering the intended value.

By linking CSFs, metrics, value chain activities, and value streams, organizations can create a transparent and measurable system of value creation. This transparency enables leadership to monitor performance, guide decision-making, and prioritize improvement initiatives effectively.

In the next section, we will examine the Continual Improvement Model, exploring how organizations systematically identify improvement opportunities and implement changes that enhance the performance of digital products and services.

The Continual Improvement Model

In dynamic digital environments, organizations cannot rely on static processes, fixed technologies, or rigid service delivery models. Customer expectations evolve rapidly, technologies advance continuously, and competitive pressures demand ongoing innovation. Within the IVS, continual improvement provides the mechanism through which organizations adapt to these changes while maintaining alignment with strategic objectives and stakeholder value.

The Continual Improvement Model offers a structured approach for identifying improvement opportunities, implementing changes, and evaluating the results. Rather than treating improvement as an occasional activity, the model encourages organizations to embed improvement into everyday operational workflows. This ensures that services, processes, and

organizational capabilities evolve continuously in response to operational insights and stakeholder feedback.

Readers familiar with ITIL 4 will recognize the Continual Improvement Model as the core component of the SVS. ITIL 4 introduced a structured improvement framework designed to guide organizations through a sequence of improvement steps. ITIL Version 5 retains this foundational model but integrates it more deeply with value streams, digital product management, and lifecycle-oriented service management.

Purpose of the Continual Improvement Model

The primary purpose of the Continual Improvement Model is to ensure that organizations consistently enhance their services, operational processes, and management capabilities. Improvement initiatives may address a wide range of objectives, including increasing service reliability, improving customer experience, reducing operational costs, or enabling innovation.

In modern digital service environments, improvement opportunities may emerge from multiple sources such as operational performance metrics, customer feedback, incident analysis, service reviews, and technological innovation. The Continual Improvement Model provides a structured method for converting these insights into actionable improvements.

By applying this model consistently, organizations can move beyond reactive problem-solving and adopt a proactive approach to service optimization and organizational learning.

The Seven-Step Continual Improvement Model

The Continual Improvement Model is commonly represented as a structured sequence of questions that guide improvement initiatives. The following questions help organizations to move from strategic intent to measurable results.

Step 1: What is the Vision?

The improvement journey begins by understanding the organization's strategic vision. Improvement initiatives must align with broader business objectives and organizational priorities. Without this alignment,

improvement efforts may lead to local optimizations that fail to support the overall organizational success.

At this stage, leadership defines the desired future state of the organization or service.

Step 2: Where are We Now?

The next step involves assessing the current state of the service, process, or capability being evaluated. This assessment may involve analyzing performance metrics, operational data, customer feedback, and process documentation.

Understanding the current state helps organizations identify performance gaps and determine the areas that require improvement.

Step 3: Where Do We Want to Be?

Once the current state has been evaluated, organizations must define a target state that represents the desired level of performance or capability. This target state may include improvements in service reliability, operational efficiency, customer satisfaction, or digital innovation.

Defining measurable targets ensures that improvement initiatives remain focused and achievable.

Step 4: How Do We Get There?

This step focuses on planning the improvement initiatives required to achieve the desired target state. Organizations identify specific actions, allocate resources, and define timelines for implementation.

Improvement plans may involve changes to processes, technologies, organizational structures, or service design.

Step 5: Take Action

After planning improvement initiatives, organizations implement the identified changes. This stage often involves collaboration between multiple teams, including service management, development teams, infrastructure teams, and governance functions.

Effective implementation requires clear communication, stakeholder engagement, and careful coordination across operational environments.

Step 6: Are We Getting There?

Once the improvements have been implemented, organizations must evaluate whether the desired outcomes have been achieved. Performance metrics and operational data provide evidence of whether the improvement initiatives produced the intended results.

If the target state has not been fully achieved, additional adjustments may be required.

Step 7: How Do We Keep the Improvements Relevant?

The final step ensures that improvement becomes an ongoing capability rather than a one-time initiative. Organizations embed successful improvements into operational practices and identify new opportunities for further enhancement.

This continuous cycle ensures that service management capabilities evolve alongside changing business conditions and technological advancements.

Continual Improvement across the Value Chain

In ITIL Version 5, continual improvement is not treated as a separate operational activity. Instead, improvement is embedded across all value chain activities and value streams.

For example:

- Operational insights from the Deliver and Support activities may reveal opportunities to improve service reliability.
- Feedback from the Engage activities may highlight areas where customer experience can be enhanced.
- Insights from the Design and Transition activities may lead to improvements in deployment processes or architectural standards.

By embedding improvement within value streams, organizations ensure that every operational activity contributes to the ongoing service optimization.

Data-Driven Improvement

Modern service management environments rely heavily on data-driven decision-making. Performance metrics, monitoring systems, customer feedback, and operational analytics provide the insights to identify improvement opportunities.

Technologies such as observability platforms, predictive analytics, and AI allow organizations to detect trends, anticipate service disruptions, and optimize service performance proactively.

In ITIL Version 5, these technologies are recognized as important enablers of continual improvement. They allow organizations to move beyond reactive improvement initiatives and adopt predictive and proactive improvement strategies.

Cultural Aspects of Continual Improvement

Successful implementation of the Continual Improvement Model requires more than structured processes and measurement frameworks. It also requires an organizational culture that encourages learning, experimentation, and innovation.

Employees should be empowered to identify improvement opportunities, share insights, and propose solutions. Leadership must support improvement initiatives by providing resources, encouraging collaboration, and recognizing contributions to organizational learning.

This cultural dimension ensures that continual improvement becomes an inherent part of the organization's operating model rather than an isolated management initiative.

Continual Improvement as a Strategic Capability

Ultimately, the Continual Improvement Model enables organizations to sustain value creation in complex digital ecosystems. By continuously evaluating performance, identifying opportunities, and implementing enhancements, organizations ensure that their digital products and services remain relevant, efficient, and aligned with stakeholder expectations.

While ITIL 4 introduced the Continual Improvement Model as part of the SVS, ITIL Version 5 strengthens its integration with value streams, digital

product lifecycle management, and data-driven service operations.

This expanded perspective reflects the reality that modern organizations must constantly adapt to technological change, evolving customer expectations, and competitive pressures.

Embedding Improvement into Organizational Culture

Continual improvement is a fundamental principle of effective service management. In modern digital organizations, improvement cannot be treated as a periodic initiative carried out only through formal projects. Instead, it must be embedded into the organization's culture, so that learning, adaptation, and optimization occur continuously as part of everyday work. When improvement becomes a cultural norm rather than a structured exercise, organizations are better able to adapt to evolving technologies, changing customer expectations, and complex digital ecosystems.

Within the IVS, improvement operates as a systemic capability that influences governance decisions, lifecycle activities, value streams, and management practices. Every stage of the digital product and service lifecycle generates insights that can be used to enhance service performance, optimize processes, and improve customer outcomes. These insights may originate from operational monitoring, incident analysis, customer feedback, usage analytics, or performance metrics. By systematically capturing and analyzing such information, organizations can identify opportunities to refine services and strengthen operational resilience.

Embedding improvement into organizational culture requires leadership commitment. Leaders must encourage experimentation, promote transparency, and support continuous learning across teams. Employees should feel empowered to identify inefficiencies, propose solutions, and contribute to service enhancements. A culture that values improvement fosters collaboration between development teams, operations teams, service management professionals, and business stakeholders. When improvement becomes a shared responsibility, organizations can respond more quickly to emerging challenges and opportunities.

Structured mechanisms are also necessary to transform improvement ideas into actionable initiatives. Organizations often maintain improvement backlogs that capture suggestions from across the enterprise. Regular service review meetings, operational retrospectives, and performance assessments evaluate improvement opportunities and prioritize initiatives based on business value. These practices ensure that improvement efforts remain aligned with strategic goals and deliver measurable outcomes.

Knowledge management also plays an important role in supporting an improvement culture. Lessons learned from incidents, service disruptions, and operational challenges should be documented and shared across teams. When knowledge is captured effectively, organizations can prevent recurring issues and accelerate the implementation of improvements. Over time, this collective learning strengthens organizational capabilities and improves service reliability.

Readers familiar with ITIL4 will recognize that continual improvement was presented as a dedicated component of the SVS, supported by the Continual Improvement Model. In ITIL Version 5, the importance of improvement remains unchanged, but it is more deeply embedded across lifecycle activities, such as Discover, Design, Build, Operate, Deliver, and Support. Rather than existing as a separate operational function, improvement becomes a continuous flow of learning that influences every aspect of service management.

Embedding improvement into organizational culture ultimately enables organizations to sustain long-term service quality and adaptability. As digital services evolve, organizations must continuously refine their capabilities, technologies, and processes. A culture of improvement ensures that services remain aligned with stakeholder expectations, resilient in the face of disruptions, and capable of delivering sustained value.

Automation and AI within the Value Chain

Digital service environments generate enormous volumes of operational data and involve increasingly complex interactions between systems, platforms, and stakeholders. Managing such environments effectively requires organizations to adopt automation and AI technologies that enhance efficiency, improve reliability, and support faster decision-making. Within the IVS, automation and AI act as critical enablers that strengthen

value streams and lifecycle activities across the service management ecosystem.

Automation refers to the use of technology to perform tasks with minimal human intervention. In service management, automation can streamline routine activities, such as infrastructure provisioning, configuration management, monitoring, deployment, and incident resolution. By automating repetitive tasks, organizations reduce operational errors, accelerate service delivery, and allow teams to focus on higher-value activities such as innovation and service optimization.

Automation plays an important role across multiple lifecycle activities. During the Build stage, automated development pipelines support continuous integration and continuous testing, ensuring that new capabilities are validated efficiently. During the Transition activities, automated deployment mechanisms enable rapid and reliable service releases. In operational environments, automated monitoring and alerting systems detect anomalies and trigger predefined responses that maintain service availability.

AI extends these capabilities by enabling systems to analyze data, identify patterns, and make informed recommendations. AI-driven analytics platforms can process large volumes of operational data to detect emerging issues, predict potential service disruptions, and recommend corrective actions. For example, machine learning algorithms can analyze historical incident patterns to identify recurring problems and suggest preventive measures. Predictive monitoring tools can identify performance degradation before users experience service disruptions.

AI technologies also enhance service desk operations and customer interactions. Intelligent ticket classification systems can automatically categorize and prioritize incidents based on historical data. Virtual assistants and conversational AI platforms can provide users with immediate support by resolving common service requests or guiding users through troubleshooting procedures. These capabilities improve response times while allowing support teams to focus on complex issues that require human expertise.

Readers familiar with ITIL4 will recall that automation and technology were identified as important enablers of service management practices. ITIL Version 5 expands this perspective by recognizing the growing role of

intelligent automation and AI-driven service management in modern digital environments. As organizations adopt advanced analytics and machine learning technologies, service management capabilities become increasingly proactive and predictive rather than reactive.

However, the use of automation and AI must be supported by appropriate governance and oversight mechanisms. Organizations must ensure that automated processes operate reliably, that AI systems remain transparent and explainable, and that decisions affecting service delivery are aligned with organizational policies and ethical principles. Effective governance ensures that automation enhances service value without introducing unintended risks.

By integrating automation and AI into value streams and lifecycle activities, organizations can significantly improve operational efficiency, enhance service reliability, and accelerate innovation. These technologies enable service management teams to operate at the scale and speed required in modern digital ecosystems while maintaining strong control over service performance and outcomes.

Aligning Strategy, Operations, and Outcomes

Successful service management requires strong alignment between organizational strategy, operational activities, and the outcomes delivered to stakeholders. Digital services are not valuable simply because they function technically; rather, because they create value when they support business objectives and enable meaningful outcomes for customers and users. The IVS provides the structural framework that ensures strategic priorities are translated into operational capabilities that deliver measurable value.

Strategy defines the long-term direction of an organization. It establishes priorities such as improving customer experience, enhancing operational resilience, expanding digital capabilities, or enabling business innovation. However, strategic objectives only create value when they are translated into practical activities that shape the design, development, and delivery of services.

Lifecycle activities play a crucial role in connecting strategy with operational execution. Discover activities identify opportunities that align with business goals, such as new digital services or improvements to

existing offerings. Design activities transform these strategic opportunities into structured solutions that define service architecture, functionality, and user experience.

Once services are designed, the Build and Transition activities ensure that new capabilities are developed, tested, and deployed effectively. These stages translate strategic intentions into operational systems and platforms that support real-world service delivery. Effective coordination between development and operations teams is essential to ensure that services are introduced into live environments without disrupting existing operations.

Operational activities such as Operate, Deliver, and Support ensure that services perform reliably and continue to meet stakeholder expectations. Monitoring, incident management, and service support mechanisms maintain service stability while enabling users to achieve their desired outcomes. Operational insights generated during these activities provide valuable feedback that informs strategic planning and future service improvements.

Measurement plays a critical role in maintaining alignment between strategy and operations. Metrics and CSFs provide visibility into how well services contribute to organizational goals. Performance indicators such as service availability, customer satisfaction, operational efficiency, and business outcome realization allow leaders to evaluate whether service management activities are delivering the intended value.

Readers familiar with ITIL4 will recognize that strategic alignment was previously emphasized through the SVS and value streams. ITIL Version 5 continues this principle but strengthens the connection between strategy and the lifecycle management of digital products and services. By focusing on lifecycle-driven service management, organizations can ensure that services evolve continuously in response to changing business priorities.

When strategy, operations, and outcomes are aligned effectively, service management becomes a powerful driver of organizational success. Digital services become more than technical capabilities; they become strategic assets that enable innovation, support business growth, and deliver meaningful value to stakeholders.

Conclusion

The IVS provides a cohesive and adaptive framework for transforming demand into value through integrated value chain activities, management practices, and continual improvement. By aligning strategy, operations, and outcomes, organizations can ensure consistent value co-creation in dynamic digital environments. The integration of value streams, performance measurement, and AI-driven capabilities enhances efficiency, visibility, and responsiveness. Ultimately, success depends on embedding improvement into culture, enabling cross-functional collaboration, and leveraging data-driven insights to sustain innovation, resilience, and long-term organizational effectiveness.

Multiple Choice Questions

1. What is the primary purpose of the ITIL Value Chain?
    a. To define organizational hierarchy and reporting structure
    b. To transform demand and opportunities into value through coordinated activities
    c. To manage financial budgeting and cost control
    d. To replace all management practices with automation
2. How do value streams differ from value chain activities?
    a. Value streams are independent of value chain activities.
    b. Value streams represent end-to-end workflows combining value chain activities.
    c. Value streams only apply to incident management.
    d. Value streams replace management practices.
3. What role do management practices play within the ITIL Value System (IVS)?
    a. They act as optional guidelines with no operational impact.
    b. They replace value streams entirely.
    c. They provide capabilities, tools, and governance to execute value chain activities.
    d. They are limited only to technical teams.

4. Why are metrics and Critical Success Factors (CSFs) important in service management?
    a. They eliminate the need for governance.
    b. They ensure compliance only with financial policies.
    c. They provide measurable insight into performance and value creation.
    d. They are used only during audits.
5. What is the key objective of embedding continual improvement into organizational culture?
    a. To restrict changes and maintain stability
    b. To ensure improvement happens only through formal projects
    c. To improve a continuous, organization-wide capability
    d. To reduce the need for performance measurement

Answers

1. b
2. b
3. c
4. c
5. c

Questions

1. Explain how the ITIL Value Chain acts as an operational model for transforming demand into value in modern digital organizations.
2. Describe the interaction between value chain activities and explain how their non-linear nature supports organizational agility.
3. Discuss how value streams are designed and how they help organizations operationalize value creation across products and services.

4. Analyze the relationship between the value chain and the product and service lifecycle. How do they complement each other?
5. Explain the role of management practices as organizational capabilities within the ITIL Value System (IVS), with relevant examples.
6. Discuss how grouping management practices into categories supports organizational structure and cross-functional collaboration.
7. Evaluate the importance of metrics and Critical Success Factors (CSFs) in measuring service performance and guiding decision-making.
8. Explain the Continual Improvement Model and describe how it supports the ongoing service optimization in dynamic environments.
9. Discuss how organizations can embed continual improvement into their culture and the role leadership plays in this transformation.
10. Analyze the role of automation and Artificial Intelligence (AI) in enhancing value chain activities and improving service management outcomes.

Key Terms

- **ITIL Value System (IVS):** A holistic framework that integrates governance, practices, and continual improvement to enable value creation. It ensures alignment between strategy, operations, and stakeholder outcomes.
- **Value Chain:** An operational model that organizes activities required to convert demand into value. It provides structure and flexibility for managing digital products and services.
- **Value Chain Activities:** Core activities such as discover, design, build, transition, operate, deliver, and support. They interact dynamically to enable end-to-end value creation.
- **Value Streams:** End-to-end workflows that combine value chain activities to deliver specific outcomes. They represent the practical execution path from demand to value realization.
- **Management Practices:** Organizational capabilities comprising processes, tools, roles, and governance mechanisms. They enable

consistent and effective execution of value chain activities.

- **Practice Groups:** Logical categorization of management practices to structure organizational capabilities. They support coordination, specialization, and cross-functional collaboration.
- **Critical Success Factors (CSFs):** Key conditions that must be achieved for a service or initiative to succeed. They guide the definition of meaningful performance metrics.
- **Performance Metrics:** Quantifiable indicators used to measure service performance and value delivery. They provide data-driven insights for monitoring and improvement.
- **Continual Improvement Model:** A structured approach for identifying, implementing, and sustaining improvements. It ensures services and processes evolve in alignment with changing needs.
- **Automation and Artificial Intelligence (AI):** Technologies that enhance efficiency, decision-making, and service reliability. They enable predictive, proactive, and scalable service management capabilities.

CHAPTER 8

Identifying, Mapping, and Managing Value Streams

Introduction

This chapter will focus on the practical application of value streams thinking within Digital Product and Service Management (DPSM). It explains how organizations identify, analyze, and optimize value streams to ensure products and services are delivered efficiently, consistently, and in alignment with stakeholder expectations.

The chapter will begin by defining value streams—distinguishing between core value streams and enabling value streams. It will also clarify how value streams represent the structured flow of activities required to create and deliver value, and how they extend beyond individual processes to encompass the entire lifecycle of digital products and services.

The importance of value stream mapping is introduced as a diagnostic and improvement tool. The chapter will explain how mapping provides visibility into workflows, dependencies, bottlenecks, and inefficiencies. It will highlight how visualization supports better decision-making, improved collaboration, and enhanced performance management.

Value stream management is presented as an ongoing discipline that aligns strategy, operations, and performance metrics. The chapter will emphasize that effective value stream management requires balancing speed, quality, risk, and sustainability while responding to changing business demands.

The role of Complexity Thinking will also be explored, explaining why modern digital environments require adaptive and iterative approaches rather than rigid process optimization. The integration of automation and AI-enabled insights will be discussed as a mechanism for improving value stream efficiency and resilience.

By the end of this chapter, readers will understand how to structure, evaluate, and continuously improve value streams, ensuring that

organizational capabilities translate directly into measurable value creation.

Structure

In this chapter, we will cover the following topics:

- Complexity thinking
- Definition of Value Streams
- Core Value Streams versus Enabling Value Streams
- Purpose and Benefits of Value Stream Thinking
- Value Stream Identification Techniques
- Value Stream Mapping Concepts and Components
- Visualizing Workflows and Dependencies
- Value Stream Management Principles
- Optimizing Workflows for Complexity
- Metrics and Performance Indicators in Value Streams
- Automation and AI in Value Stream Optimization
- Aligning Value Streams with Strategy and the ITIL Value System (IVS)

Complexity Thinking

An approach to analysis and decision-making based on the recognition and understanding of the various levels of complexity inherent in the systems and the context in which they operate. following image describes the concept.

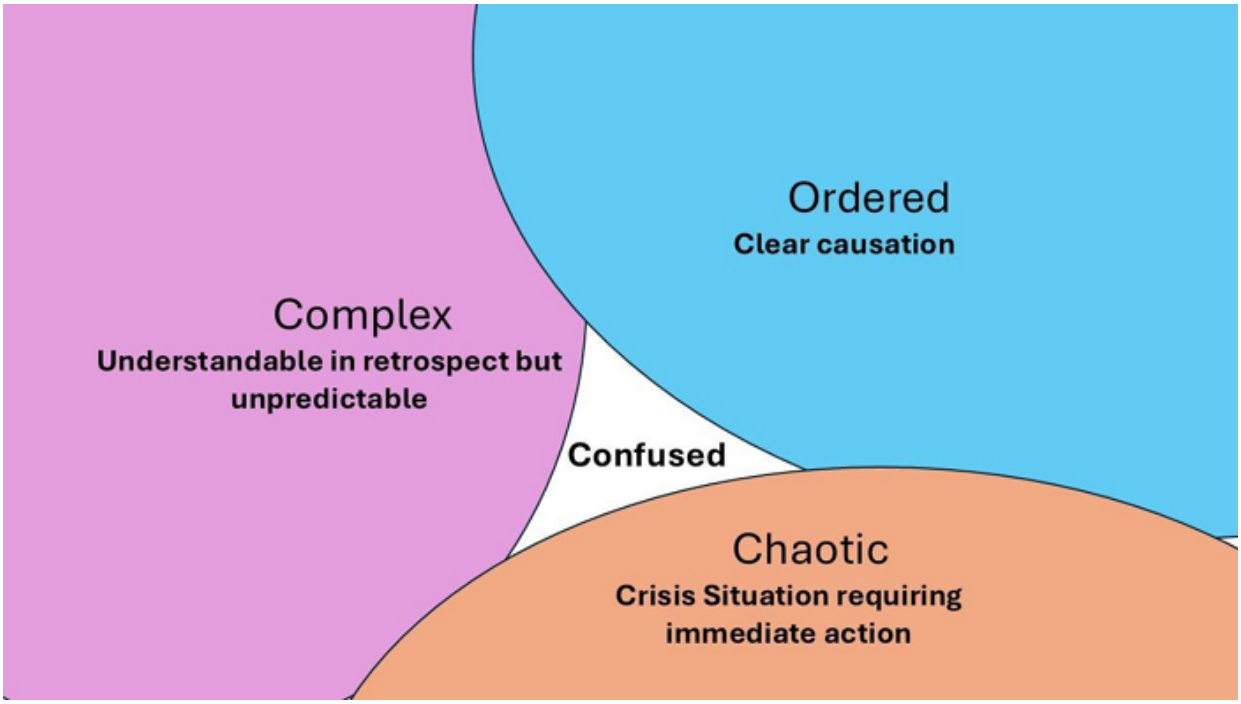

Figure 8.1: *Complexity Thinking*

A confused context represents the starting point at which the nature of a system is not yet understood.

In ordered contexts, cause-and-effect relationships are known or knowable.

Complex contexts are fundamentally different. Here, cause-and-effect relationships can only be understood in retrospect.

Chaotic contexts represent crisis situations requiring immediate action.

Definition of Value Streams

In the Information Technology Infrastructure Library (ITIL) Version 5, value streams are introduced as a fundamental construct for understanding how organizations create and deliver value in real-world environments. Unlike theoretical process models or predefined workflows, value streams represent the sequence of activities that were performed by an organization to enable value for its stakeholders. Therefore, a value stream can be defined as a series of steps that an organization uses to create and deliver products and services to service consumers.

Continuing from ITIL4 this definition emphasizes that rather than focusing on isolated processes or functions, ITIL Version 5 encourages organizations

to view work as end-to-end flows of value, spanning multiple practices, teams, technologies, and even organizational boundaries.

Key Characteristics of Value Streams

Based on the ITIL Version 5 guidance, value streams exhibit several defining characteristics, which are as follows:

- **Actual Workflows, Not Theoretical Models:** Value streams reflect how work is truly executed in practice, rather than how it is documented in procedures or operating models.
- **End-to-end Flow of Value:** They cover the complete journey from demand or opportunity to value realization, ensuring that every step contributes to stakeholder outcomes.
- **Integration of Information, Work, and Artifacts:** Value streams include the flow of data, decisions, deliverables, and interactions that occur throughout service lifecycle activities.
- **Outcome-oriented:** The primary purpose of a value stream is to enable value for customers or stakeholders, not merely to execute tasks or processes.
- **Cross-functional and Ecosystem-driven:** Value streams typically span multiple teams, departments, partners, and suppliers, reflecting the interconnected nature of modern digital organizations.

Value Streams in the Context of DPSM

In DPSM, value creation is rarely linear or confined to a single function. As highlighted in the ITIL Version 5 material, organizations operate in dynamic environments where:

- Activities are performed in varying combinations depending on context.
- Workflows evolve continuously based on demand, technology, and stakeholder expectations.
- Multiple practices interact simultaneously to deliver outcomes.

This means that value streams are context-specific and adaptive, rather than rigid or standardized sequences.

For example, the same organization may execute different value streams for:

- Developing a new digital product.
- Resolving a major incident.
- Onboarding a new customer.
- Delivering a service enhancement.

Each of these represents a unique configuration of activities aligned to a specific value outcome.

Relationship with the ITIL Product and Service Lifecycle

A key advancement in ITIL Version 5 is the explicit linkage between value streams and lifecycle activities. Value streams are constructed by combining lifecycle stages such as:

- Discover
- Design
- Acquire
- Build
- Transition
- Deliver
- Operate
- Support

However, these activities are not executed in a fixed sequence. Instead, they are dynamically orchestrated within value streams based on the situation at hand.

This reinforces the idea that value streams represent the operational reality of value creation, while the lifecycle provides a conceptual structure.

For readers familiar with ITIL4, the concept of value streams is not entirely new, but its positioning and emphasis have evolved, as demonstrated in *Table 8.1 :*

Aspect	ITIL 4	ITIL Version 5

Definition	A series of steps to create and deliver products/services	Expanded to emphasize real-world workflows and adaptive execution
Focus	Value chain-based transformation of demand into value	Lifecycle-integrated, context-driven value realization
Structure	Built around the Service Value Chain	Closely aligned with Product and Service Lifecycle activities
Perspective	Conceptual and model-driven	Operational, dynamic, and experience-driven

Table 8.1: *ITIL Version 5 versus ITIL 4 Perspective*

In ITIL4, value streams were primarily derived from combinations of Service Value Chain activities. In contrast, ITIL Version 5 places stronger emphasis on work execution, variability, and alignment with digital product lifecycle models.

Importance of Value Streams

The introduction of value streams addresses a critical limitation of traditional process-centric approaches. Processes alone do not guarantee value creation. Even if every process is executed as designed, value may still not be realized unless those processes are effectively integrated into a coherent flow.

As highlighted in the ITIL Version 5 source, organizations must:

- Identify how work is truly performed.
- Map the flow of activities, information, and dependencies.
- Continuously analyze and improve these flows.

Only then can they ensure that operational activities translate into meaningful outcomes.

In essence, value streams provide the missing link between strategy and execution. They translate:

- Demand and opportunities → into
- Coordinated activities and workflows → resulting in
- Measurable value for stakeholders.

They enable organizations to move from:

- Process optimization → flow optimization.

- Functional silos → end-to-end integration
- Output delivery → outcome realization.

In modern digital enterprises, where complexity, speed, and customer expectations continue to rise, value streams become the primary mechanism for orchestrating work. They provide a practical lens through which organizations can understand, design, and continuously improve how value is created.

This foundational understanding of value streams sets the stage for the next sections, where we will explore their categorization into core and enabling streams and how they can be systematically identified and mapped for optimization.

Core Value Streams versus Enabling Value Streams

In ITIL Version 5, value streams are not treated as a single, uniform construct. Instead, they are categorized based on their purpose and their relationship to value creation. This distinction is essential for understanding how organizations structure their work and optimize performance across both customer-facing and internal activities.

From a practical standpoint, value streams in a digital organization can be broadly classified into the core and enabling value streams. This categorization provides clarity on how value is created, supported, and sustained across the enterprise.

Core Value Streams

A core value stream is defined as a value stream that enables value for consumers in a form intended by the organization's operating model.

In simple terms, core value streams are the primary pathways through which an organization delivers its products and services to customers. These streams are closely aligned with the organization's value proposition and are directly responsible for achieving customer outcomes.

Key Characteristics of Core Value Streams:

- **Customer-facing and Outcome-driven:** Core value streams are designed to deliver value that is directly experienced by customers or external stakeholders.
- **Aligned with Service Offerings:** They represent how services or digital products are created, delivered, and supported in line with business objectives.
- **End-to-end Lifecycle Integration:** These streams typically span multiple lifecycle activities—from discovery and design to delivery, operation, and support.
- **Performance-critical:** Any inefficiency, delay, or failure within a core value stream has a direct impact on customer satisfaction, service quality, and business outcomes.

Depending on the organization's operating model, typical core value stream examples are as follows:

- Development and delivery of a digital product.
- Customer onboarding and service provisioning.
- Incident resolution for business-critical services.
- Delivery of managed services to external clients.

The preceding examples illustrate that core value streams are not limited to development activities; rather, they encompass the full spectrum of value realization, including service consumption and support.

Enabling Value Streams

An enabling value stream is defined as a value stream that enables value for internal customers to support the organization's core value streams.

Unlike core value streams, enabling value streams do not directly deliver value to external consumers. Instead, they provide capabilities, resources, and support mechanisms that are required for core value streams to function effectively.

Key Characteristics of Enabling Value Streams:

- **Internally Focused:** These streams primarily serve internal stakeholders such as Information Technology (IT) teams, business units, or support functions.

- **S upportive in Nature:** They ensure that core value streams operate efficiently by providing necessary inputs such as tools, resources, governance, and knowledge.
- **Indirect Contribution to Value:** While they do not directly deliver customer outcomes, their effectiveness significantly influences the performance of core value streams.
- **Foundational for Scalability and Resilience:** Enabling streams maintains operational stability, compliance, and continuous improvement.

Common examples of enabling value streams include:

- Procurement and supplier onboarding.
- IT infrastructure provisioning.
- Knowledge management and training.
- Change enablement and governance processes.
- Tooling and platform management.

For instance, onboarding a new supplier or provisioning cloud infrastructure does not directly create customer value, but rather it enables the organization to deliver services effectively.

Relationship between Core and Enabling Value Streams

Core and enabling value streams are not isolated constructs; rather, they operate as part of an interconnected value network in the following ways:

- Core value streams depend on enabling streams for inputs such as resources, tools, and governance.
- Enabling value streams derive their purpose from the needs of core value streams.
- Improvements in enabling streams often lead to multiplicative benefits across multiple core streams.

ITIL Version 5 also highlights that organizations typically have multiple value streams—shaped by their operating model, internal capabilities, and external dependencies.

An important nuance is that the classification of a value stream is context-dependent. A value stream considered “core” in one part of the organization may act as “enabling” in another.

For example:

- A payroll processing service may be a core value stream for an internal HR technology team.
- The same payroll capability may function as an enabling value stream when viewed from the perspective of the broader enterprise, supporting core business operations.

This flexibility reinforces the need to evaluate value streams based on organizational context and stakeholder perspective.

Cascading Nature of Value Streams

ITIL Version 5 introduces the idea that value streams can be cascaded or layered across different levels of the organization.

This means:

- A high-level core value stream may consist of multiple subordinate value streams.
- Some of these subordinate streams may themselves be enabling in nature.
- Value creation is therefore distributed across a hierarchy of interconnected flows.

This cascading structure is particularly relevant in large enterprises and multi-vendor ecosystems, where value creation spans multiple organizational boundaries.

In ITIL4, value streams were primarily discussed in the context of Service Value Chain activities, with less explicit emphasis on categorization into core and enabling streams.

ITIL Version 5 extends this concept by:

- Explicitly distinguishing between customer-facing and internal value streams.
- Emphasizing operating model alignment in defining core streams.

- Highlighting the supporting role of enabling streams in sustaining value delivery.
- Recognizing the dynamic and context-driven nature of value stream classification.

This evolution provides practitioners with a more practical and operational lens to analyze how value is created and supported within complex digital environments.

In the context of practical implications for organizations, understanding the distinction between core and enabling value streams enables organizations to:

- **Prioritize Optimization Efforts:** Focus on improving core value streams to enhance customer outcomes while strengthening enabling streams to ensure operational efficiency.
- **Align Investments with Value Creation:** Allocate resources strategically across both types of streams.
- **Improve Governance and Accountability:** Clearly define ownership and performance metrics for each value stream.
- **Enhance Cross-functional Collaboration:** Break down silos by recognizing dependencies between core and enabling activities.

The differentiation between core and enabling value streams is fundamental to mastering value stream thinking in ITIL Version 5. While core value streams represent the direct realization of value, enabling value streams form the foundation that sustains and amplifies that value.

Together, they create a cohesive system where every activity—whether customer-facing or internal—contributes to the organization's ability to deliver consistent, high-quality, and outcome-driven services.

Purpose and Benefits of Value Stream Thinking

In ITIL Version 5, value stream thinking is positioned as a practical and essential approach for managing how work is performed within an organization. It shifts the focus from isolated processes and functional silos to the end-to-end flow of activities that collectively enable value creation. This perspective is critical in modern digital environments where services are delivered through complex, interconnected workflows.

The purpose of value stream thinking is to ensure that all activities performed across the organization contribute effectively to value realization for stakeholders, rather than merely achieving process-level efficiency.

The ITIL Version 5 guidance emphasizes that organizations cannot rely solely on predefined processes or theoretical models. In practice, work is executed through unique, context-driven workflows that evolve over time.

Therefore, the purpose of value stream thinking can be understood across the following dimensions in the following manner:

1. **Aligning Work with Value Creation:** Value stream thinking ensures that every activity, decision, and interaction is aligned with the ultimate goal of delivering value to customers and stakeholders. It bridges the gap between operational execution and business outcomes.
2. **Understanding Real-world Workflows:** Rather than assuming that documented processes reflect reality, value stream thinking focuses on how work is actually performed, including variations, exceptions, and dependencies.
3. **Enabling End-to-end Visibility:** It provides a holistic view of the entire flow of work—from demand or opportunity to value realization—across multiple teams, practices, and systems.
4. **Supporting Continual Improvement:** By identifying how value is created and where inefficiencies exist, value stream thinking establishes a foundation for ongoing analysis, optimization, and adaptation.
5. **Managing Complexity in Digital Environments:** Modern organizations operate in ecosystems involving partners, suppliers, automation, and Artificial Intelligence (AI). Value stream thinking manages this complexity by focusing on flows rather than functions.

Benefits of Value Stream Thinking

Adopting value stream thinking delivers a range of tangible and strategic benefits. ITIL Version 5 highlights the following key advantages that are derived from identifying, mapping, and managing value streams.

1. **Focus on Customer Value:** Value stream thinking ensures that all activities are evaluated based on their contribution to customer

outcomes. This prevents organizations from optimizing internal efficiency at the expense of customer experience.

As emphasized in the ITIL Version 5 material, value stream management focuses on customer value and optimizes the end-to-end flow for value creation.

2. **Improved Visualization of Workflows:** One of the most immediate benefits is the ability to visualize the flow of work, including activities, information, and artifacts from start to finish.

   This visualization helps organizations to:

   - Understand dependencies across teams.
   - Identify bottlenecks and delays.
   - Clarify roles and responsibilities.

   By making workflows visible, organizations can move from assumptions to evidence-based decision-making.

3. **Identification and Elimination of Waste:** Value stream thinking enables organizations to identify activities that do not contribute to value, such as:

   - Redundant steps,
   - Excessive handoffs,
   - Waiting times, and
   - Rework and inefficiencies.

   The ITIL Version 5 guidance explicitly highlights the importance of identifying and eliminating waste to maximize value for both consumers and the organization.

4. **Enhanced Collaboration and Shared Understanding:** Value stream mapping and analysis foster a shared understanding across stakeholders regarding how value is created.

   This leads to:

   - Improved cross-functional collaboration.
   - Better alignment between business and IT.
   - Reduced silo-based decision-making.

Organizations can ensure that all teams understand how their contributions fit into the broader value creation system.

5. **Optimization of End-to-end Flow:** Traditional optimization approaches often focus on improving individual processes. However, this can lead to suboptimal outcomes if the overall flow remains inefficient.

   Value stream thinking shifts the focus to:

   - End-to-end flow optimization,
   - Reduction of delays and handoffs, and
   - Improved throughput and responsiveness.

   This results in faster and more reliable service delivery.

6. **Improved Quality of Outputs:** By optimizing workflows and ensuring better coordination across activities, value stream thinking contributes to higher-quality outputs and outcomes.

   The ITIL Version 5 material notes that value stream mapping improves:

   - Flow of work and information,
   - Quality of deliverables, and
   - Consistency of service delivery.

7. **Stronger Foundation for Continual Improvement:** Value stream thinking is inherently aligned with continual improvement. It provides:

   - A structured approach to analyzing performance.
   - Clear identification of improvement opportunities.
   - A mechanism for prioritizing changes based on value impact.

   Rather than implementing isolated improvements, organizations can focus on systemic enhancements across the value stream.

8. **Better Governance and Decision-Making:** By providing visibility into how value is created and where risks or inefficiencies exist, value stream thinking supports:

   - Data-driven governance,
   - Improved risk management, and
   - More informed investment decisions.

Leaders can make decisions based on the impact on value streams, rather than on individual functions or departments.

In ITIL4, value stream thinking was introduced primarily through the concept of value streams built on Service Value Chain activities, with an emphasis on transforming demand into value.

ITIL Version 5 extends and strengthens this concept by:

- Emphasizing actual workflows over designed processes.
- Highlighting the dynamic and context-driven nature of value creation.
- Integrating value streams more explicitly with the Product and Service Lifecycle.
- Focusing on end-to-end visibility and continuous optimization.

This represents a shift from a model-centric view (ITIL 4) to a more execution-centric and adaptive view (ITIL Version 5).

Value stream thinking is not merely a technique—it is a fundamental mindset for managing digital product and service environments. It enables organizations to move beyond fragmented process optimization and adopt a holistic approach focused on value delivery.

By understanding and continuously improving value streams, organizations can ensure that their capabilities, resources, and practices are aligned to deliver consistent, efficient, and high-quality outcomes in an increasingly complex and fast-changing digital landscape.

This foundation is essential for the subsequent steps of value stream identification, mapping, and management, which enable sustained organizational performance and continual value creation.

Value Stream Identification Techniques

In ITIL Version 5, value stream identification is a critical step in translating theoretical models into practical execution. Since value streams represent the workflows through which value is created, organizations must first identify these flows before they can analyze, optimize, or manage them effectively.

As emphasized in the ITIL Version 5 guidance, real-world work does not strictly follow predefined processes. Instead, it emerges as context-driven

combinations of activities, information flows, and interactions. Therefore, value stream identification focuses on uncovering how work is truly performed across the organization.

The primary objective of value stream identification is to:

- Recognize end-to-end flows of value creation.
- Understand how different activities, practices, and stakeholders interact.
- Establish a foundation for mapping, analysis, and continual improvement.

It enables organizations to move beyond isolated processes and gain clarity on how value is actually delivered to service consumers.

Before applying specific techniques, ITIL Version 5 implies several guiding principles for identifying value streams:

1. **Start with Value, Not Processes:** Identification must begin with understanding what value is being delivered and to whom, rather than starting with existing process documentation.
2. **Focus on End-to-end Flow:** Value streams should capture the complete journey from demand or opportunity to value realization, including all intermediate steps.
3. **Reflect Reality, Not Design:** The goal is to identify how work is actually executed, including variations, exceptions, and informal practices.
4. **Consider Organizational Context:** Value streams differ across organizations depending on:
    - Operating models
    - Capabilities and resources
    - Roles within service relationships

Key Value Stream Identification Techniques

ITIL Version 5 does not prescribe rigid methods but provides a structured approach based on lifecycle activities, workflows, and organizational roles.

The following techniques align with the guidance and can be systematically applied:

1. **Identify Demand and Opportunities Trigger:** Every value stream begins with a trigger. These triggers typically include:
   - Customer requests or service consumption needs,
   - Business demands or market opportunities, and
   - Incidents, changes, or improvement initiatives.

   By identifying these triggers, organizations can determine where value creation starts.

   This aligns with the IVS perspective, where demand and opportunities initiate value-creation activities.
2. **Define the Desired Outcome:** Once the trigger is identified, the next step is to define the following:
   - The value for the customer
   - The expected outcome or result
   - The success criteria for the value stream

   This ensures that the value stream is outcome-oriented rather than activity-driven.
3. **Trace the End-to-end Workflow:** Organizations should then trace the sequence of activities required to achieve the desired outcome. This involves:
   - Identifying all major steps involved.
   - Understanding the order and dependencies between activities.
   - Capturing interactions across teams, tools, and systems.

   According to ITIL Version 5, value streams represent the actual sequence of activities performed, not a predefined blueprint.
4. **Map Lifecycle Activity Combinations:** A distinctive feature of ITIL Version 5 is the integration of value streams with the Product and Service Lifecycle.

   During identification, organizations should determine how lifecycle activities are combined, such as:

- Discover → Design → Build → Transition → Operate.
- Operate → Support → Improve.
- Acquire → Build → Deliver.

These combinations vary depending on the context, reinforcing that value streams are dynamic and adaptable.

5. **Identify Stakeholders and Roles:** Value streams involve multiple stakeholders, including:
    - Service consumers,
    - Internal teams (such as development, operations, support, and more), and
    - External partners and suppliers.

    Identifying who participates in each step clarifies:

    - Responsibilities,
    - Handovers, and
    - Collaboration points.

    This is necessary for understanding the flow of value across organizational boundaries.
6. **Capture Information and Artifact Flows:** Value streams are not limited to activities—they also include the flow of:
    - Data and information,
    - Documents and deliverables, and
    - Decisions and approvals.

    ITIL Version 5 highlights that value streams include the creation, processing, and transfer of information and artifacts throughout the workflow.

    Understanding these flows is critical for identifying delays, bottlenecks, and inefficiencies.
7. **Identify Variations and Scenarios:** In practice, value streams are rarely uniform. Organizations should identify:
    - Variations in workflows based on different scenarios.

- Exceptions and alternate paths.
- Dependencies on external factors.

For example:

- Standard service request versus urgent request.
- Normal change versus emergency change.
- Planned delivery versus incident-driven response.

This ensures that value stream identification reflects real operational complexity.

8. **Categorize Value Streams:** Once identified, value streams can be categorized as:
   - **Core Value Streams:** Directly delivering value to customers.
   - **Enabling Value Streams:** Supporting internal capabilities.

   This classification prioritizes analysis and improvement efforts.
9. **Validate with Stakeholders:** Validation is a crucial step to ensure accuracy. Organizations should:
   - Conduct workshops with cross-functional teams.
   - Validate identified steps against real execution.
   - Confirm dependencies, roles, and outcomes.

   This collaborative approach ensures that the identified value streams are practical and actionable.

In ITIL4, value stream identification was typically performed by mapping activities across the Service Value Chain, often starting from predefined models.

ITIL Version 5 introduces a more refined approach by:

- Emphasizing actual workflows over designed processes.
- Integrating identification with lifecycle activity combinations.
- Recognizing context-driven variations and adaptability.
- Encouraging a bottom-up understanding of work execution.

This represents a shift from a model-based identification (ITIL 4) to a reality-based identification (ITIL Version 5).

Practical outcome of value stream identification is reached by performing value stream identification effectively, and in turn, the value stream identification enables organizations to:

- Gain clarity on how value is created.
- Understand dependencies across teams and systems.
- Identify inefficiencies and improvement opportunities.
- Establish a foundation for value stream mapping and management.

It transforms abstract concepts into visible, analyzable, and optimizable workflows.

Value stream identification is the first and most critical step in adopting value stream thinking. Without a clear understanding of how work flows across the organization, improvement efforts remain fragmented and ineffective.

Therefore, by systematically identifying value streams based on real-world execution, organizations can ensure that their operational model is aligned with value creation, setting the stage for deeper analysis, optimization, and continual improvement in subsequent stages.

Value Stream Mapping Concepts and Components

In ITIL Version 5, value stream mapping is presented as a structured technique for visualizing, analyzing, and improving value streams. It enables organizations to move from abstract understanding to a clear, evidence-based representation of how value is created and delivered.

Value stream mapping is particularly important because value streams, as highlighted earlier, represent actual workflows involving activities, information, and artifacts across the organization. Without visualization, these flows remain complex and difficult to optimize.

Concept of Value Stream Mapping

Value stream mapping is defined as a technique that is used to visually represent and analyze the flow of work, information, and value across a

value stream.

Originally rooted in industrial and manufacturing environments, the technique has evolved in ITIL Version 5 to address digital-first organizations, where the focus shifts from physical materials to:

- Flow of work.
- Flow of information.
- Flow of decisions and interactions.
- Flow of value delivered to service consumers.

This evolution reflects the realities of DPSM, where value is created through integrated and knowledge-driven workflows.

Objectives of Value Stream Mapping

The purpose of value stream mapping is not merely documentation, but also insight and improvement. ITIL Version 5 highlights that mapping enables organizations to:

- Visualize the end-to-end flow of value enablement.
- Identify inefficiencies, bottlenecks, and waste.
- Understand dependencies across teams and systems.
- Improve the flow of work and quality of outputs.

Thus, value stream mapping acts as a diagnostic and decision-support tool.

Core Components of Value Stream Mapping

A value stream map is composed of interrelated components that provide a comprehensive view of how value is created.

1. **Activities and Workflow Steps:** At the core of any value stream map are the activities that constitute the workflow. These represent:
    - Tasks performed by teams or systems,
    - Lifecycle activities (for example, Design, Build, Operate, Support, and so on), and
    - Decision points and approvals.

In ITIL Version 5, these activities are not fixed sequences but rather context-driven combinations of work steps.

2. **Flow of Information and Artifacts:** Value stream mapping captures not only activities but also the movement of information and artifacts, including:
    - Service requests, tickets, and records.
    - Design documents, code, and configurations.
    - Reports, approvals, and knowledge assets.

    The inclusion of these flows is critical because value streams inherently involve the creation, processing, and transfer of information.
3. **Stakeholders and Roles:** Each step in the value stream involves specific stakeholders, such as:
    - Service consumers
    - IT teams (for example, development, operations, support, and more)
    - Business units
    - External partners and suppliers

    Mapping these roles clarifies:
    - Ownership and accountability,
    - Hand-offs between teams, and
    - Collaboration points.
4. **Inputs and Outputs:** Every activity within a value stream has defined:
    - **Inputs:** Triggers, data, or resources required.
    - **Outputs:** Deliverables or outcomes generated.

    Capturing inputs and outputs ensures that the value stream map reflects the transformation of demand into value.
5. **Flow Sequence and Dependencies:** A value stream map must represent the sequence and interdependencies of activities, including:
    - Linear flows
    - Parallel activities

- Feedback loops
- Iterative cycles

This is particularly important in ITIL Version 5, where workflows are non-linear and adaptive.

6. **Time and Performance Indicators:** While not always explicitly detailed at the initial stage, effective value stream maps often include:
   - Cycle time and lead time,
   - Waiting time between steps, and
   - Throughput and processing time.

   These indicators identify inefficiencies and opportunities for optimization.
7. **Value Creation Points:** A key concept in ITIL Version 5 is identifying where value is actually realized within the stream. Not all activities contribute equally to value.

   Value stream mapping distinguishes:
   - Value-adding activities,
   - Necessary but non-value-adding activities, and
   - Waste or redundant steps.

   ITIL Version 5 outlines a structured approach to value stream mapping, consisting of the following stages:
   - Value Stream Identification
   - Mapping the “As-Is” Value Stream
   - Analyzing the Value Stream
   - Mapping the “To-Be” Value Stream
   - Planning and Implementing Improvements

   This iterative approach ensures that mapping is not a one-time activity but rather part of a continual improvement cycle.

   One of the most significant benefits of value stream mapping is visualization. By representing workflows graphically, organizations can:

- Make complex processes easier to understand.
- Identify hidden inefficiencies.
- Facilitate cross-functional discussions.
- Enable faster and more informed decision-making.

Visualization transforms value streams from abstract concepts into tangible and manageable structures.

In ITIL 4, value stream mapping was implicitly linked to the Service Value Chain, with emphasis on combining activities to deliver value.

ITIL Version 5 advances this concept by:

- Providing a more explicit and structured mapping technique.
- Emphasizing flow of information and artifacts, not just activities.
- Integrating mapping with the Product and Service Lifecycle model.
- Focusing on real-world execution and variability.

This represents a shift from conceptual mapping (ITIL 4) to operational visualization and analysis (ITIL Version 5).

For organizations implementing value stream mapping, the following considerations are critical:

- Ensure cross-functional participation to capture the full workflow.
- Focus on actual execution, not documented processes.
- Keep maps simple yet comprehensive.
- Use mapping as continuous practice, not a one-time exercise.

Value stream mapping is a foundational capability in ITIL Version 5, enabling organizations to understand, analyze, and optimize how value flows across the enterprise.

By breaking down complex workflows into visible, structured components, organizations can identify inefficiencies, enhance collaboration, and continuously improve their ability to deliver value in a dynamic digital environment.

This sets the stage for the next level of maturity—value stream management, where these insights are systematically used to drive sustained performance

improvement and strategic alignment.

Visualizing Workflows and Dependencies

In ITIL Version 5, visualizing workflows and dependencies is a critical capability within value stream management. While value streams define how value is created, visualization enables organizations to clearly see how work actually flows, how activities are interconnected, and where dependencies influence performance.

Without effective visualization, value streams remain conceptual. Visualization transforms them into practical, observable, and manageable representations, allowing organizations to make informed decisions and drive continual improvement.

Purpose of Visualizing Workflows

The primary purpose of workflow visualization is to provide end-to-end transparency across the value stream. As emphasized in ITIL Version 5, value streams consist of interconnected activities, information flows, and artifacts, which must be understood in their entirety to optimize value creation.

Visualization supports this by:

- Making complex workflows understandable.
- Highlighting how work progresses from demand to value realization.
- Revealing interactions across teams, systems, and lifecycle activities.

It ensures that organizations move beyond fragmented views of processes to a holistic understanding of value delivery.

A workflow within a value stream represents the sequence and interaction of activities required to achieve a specific outcome. In ITIL Version 5, workflows are characterized by:

- Dynamic and context-driven execution.
- Non-linear flows with iterations and feedback loops.
- Integration of multiple lifecycle activities.

This means that workflows cannot be assumed to follow rigid paths. Instead, they must be observed, captured, and visualized as they actually occur in practice.

Visualizing Dependencies

Dependencies are a fundamental aspect of value streams. They represent the relationships between activities, resources, stakeholders, and systems that influence how work progresses.

Key Types of Dependencies Include:

- **Sequential Dependencies:** Where one activity cannot begin until another is completed. For example, testing cannot start until development is completed.
- **Parallel Dependencies:** Where multiple activities occur simultaneously but may converge later.

  For example, infrastructure setup and application configuration happen in parallel.
- **Resource Dependencies:** Where activities depend on shared resources such as personnel, tools, or environments.
- **Information Dependencies:** Where the output of one activity (such as data, approvals, documentation, and more) becomes the input for another.
- **External Dependencies:** Where activities rely on suppliers, partners, or third-party services.

Visualizing these dependencies is essential because they often represent points of delay, risk, or constraint within the value stream.

Techniques for Visualizing Workflows and Dependencies

ITIL Version 5 promotes visualization primarily through value stream mapping, supported by complementary techniques. These include:

1. **End-to-end Value Stream Maps:** The most comprehensive visualization technique is the value stream map, which represents:

- Activities and workflow steps
- Flow of information and artifacts
- Stakeholders and roles
- Dependencies and hand-offs

These maps provide a complete view of how value flows across the organization, making dependencies explicit and actionable.

2. **Workflow Diagrams:** Workflow diagrams focus on the sequence and interaction of activities, using flowchart-style representations to show:

   - Decision points
   - Alternate paths
   - Iterative loops

   These are particularly useful for understanding process-level interactions within a broader value stream.

3. **Dependency Mapping:** Dependency mapping explicitly highlights relationships between:

   - Teams and functions.
   - Systems and tools.
   - Internal and external stakeholders.

   This identifies:

   - Bottlenecks caused by resource constraints.
   - Risks associated with external dependencies.
   - Opportunities for decoupling and optimization.

4. **Swimlane Diagrams:** Swimlane diagrams organize workflows by roles or functions, showing:

   - Who performs each activity,
   - How work moves across organizational boundaries, and
   - Points of collaboration and hand-off.

   This technique is highly effective for identifying cross-functional dependencies and inefficiencies.

5. **Visualization of Flow Metrics:** Advanced visualization includes overlaying performance data such as:
    - Lead time and cycle time,
    - Waiting time between steps, and
    - Throughput and workload.

    This allows organizations to connect workflow structure with performance outcomes, enabling data-driven improvements.

    Effective visualization delivers the following critical benefits:

    - **Identification of Bottlenecks and Delays:** Visualization reveals where work slows down due to dependencies, waiting times, or resource constraints.
    - **Improved Coordination and Collaboration:** By making dependencies visible, teams can better coordinate their activities and reduce friction in hand-offs.
    - **Enhanced Decision-Making:** Leaders gain a clear understanding of how value is created, enabling more informed operational and strategic decisions.
    - **Reduction of Complexity:** Visualization simplifies complex workflows, making them easier to analyze and optimize.
    - **Support for Continual Improvement:** By highlighting inefficiencies and dependencies, visualization provides a foundation for targeted improvement initiatives.

    In ITIL 4, visualization was primarily associated with mapping value streams across the Service Value Chain, with a focus on activity combinations.

    ITIL Version 5 enhances this approach by:

    - Emphasizing detailed visualization of actual workflows and dependencies.
    - Highlighting the importance of information and artifact flows, not just activities.
    - Integrating visualization with the Product and Service Lifecycle.
    - Recognizing dynamic, non-linear workflows.

This reflects a shift from a high-level conceptual view (ITIL 4) to deep operational visibility (ITIL Version 5).

When visualizing workflows and dependencies, organizations should:

- Engage cross-functional stakeholders to ensure accuracy.
- Focus on real execution rather than documented processes.
- Keep visualizations clear, structured, and scalable.
- Regularly update visual models to reflect evolving workflows.

Visualizing workflows and dependencies is a foundational capability for mastering value stream thinking in ITIL Version 5. It enables organizations to uncover how work truly flows, where constraints exist, and how value can be delivered more effectively.

By making dependencies explicit and workflows transparent, organizations can move from reactive problem-solving to proactive optimization, ensuring that value streams operate efficiently, reliably, and in alignment with business objectives.

This capability directly supports the next stage of maturity—value stream management, where visualization insights are continuously used to enhance performance and sustain value creation.

Value Stream Management Principles

In ITIL Version 5, value stream management is positioned as a continuous discipline for overseeing, optimizing, and governing the flow of value across the organization. While value stream identification and mapping provide visibility, value stream management ensures that these insights are systematically applied to improve performance, resilience, and outcomes.

The principles of value stream management guide how organizations should design, operate, and continuously refine value streams in alignment with stakeholder expectations and business objectives.

Purpose of Value Stream Management

The primary purpose of value stream management is to ensure that value streams operate efficiently, effectively, and consistently, enabling

organizations to deliver outcomes that meet or exceed stakeholder expectations.

As highlighted in ITIL Version 5, value stream management focuses on:

- Optimizing the end-to-end flow of value.
- Ensuring alignment between activities, resources, and outcomes.
- Continuously improving workflows based on performance insights.

This reinforces the shift from managing individual processes to managing holistic value flows.

Core Principles of Value Stream Management

The following principles, derived from ITIL Version 5 guidance, form the foundation for effective value stream management.

1. **Focus on Value and Outcomes:** The foremost principle is to ensure that all activities within a value stream are aligned with value creation for stakeholders.

   Organizations must:

   - Define value from the customer's perspective.
   - Evaluate each activity based on its contribution to outcomes.
   - Avoid optimizing activities that do not enhance value.

   This aligns with the broader ITIL philosophy of value co-creation.

2. **Optimize the End-to-end Flow:** Value stream management emphasizes flow optimization rather than isolated process improvement.

   This involves:

   - Reducing delays and bottlenecks.
   - Minimizing unnecessary hand-offs.
   - Ensuring smooth progression of work across the entire value stream.

   ITIL Version 5 explicitly highlights the importance of optimizing the end-to-end flow for value creation, rather than focusing on individual components.

3. **Eliminate Waste and Inefficiencies:** A critical principle is the identification and elimination of waste, including:
    - Redundant activities
    - Excessive approvals
    - Waiting times and delays
    - Rework and duplication

    By removing non-value-adding activities, organizations can maximize efficiency and improve service delivery performance.
4. **Ensure Visibility and Transparency:** Effective value stream management requires clear visibility into workflows, dependencies, and performance metrics.

    Organizations should:

    - Use visualization techniques such as value stream maps.
    - Track performance indicators across the value stream.
    - Provide stakeholders with transparent insights.

    Visibility enables informed decision-making and supports proactive management.
5. **Enable Cross-functional Collaboration:** Value streams inherently span multiple teams, functions, and organizational boundaries.

    Therefore, organizations must:

    - Break down silos.
    - Foster collaboration across departments.
    - Align roles and responsibilities.

    This principle ensures that value streams operate as integrated systems rather than fragmented activities.
6. **Manage Dependencies and Constraints:** Dependencies—whether internal or external—play a significant role in value stream performance.

    Value stream management requires:

    - Identifying dependencies across activities, resources, and stakeholders.

- Managing constraints that limit flow.
- Reducing reliance on bottleneck resources.

This improves predictability, reliability, and resilience.

7. **Measure and Monitor Performance:** Continuous measurement is essential for effective value stream management.

   Organizations should track metrics such as:

   - Lead time and cycle time
   - Throughput and efficiency
   - Quality and error rates

   These metrics provide insights into how well the value stream is performing and where improvements are needed.

8. **Drive Continual Improvement:** Value stream management is not a one-time activity; rather, it requires ongoing analysis and refinement.

   Organizations must:

   - Regularly review value stream performance.
   - Identify improvement opportunities.
   - Implement incremental and iterative changes.

   This aligns with the ITIL continual improvement model, ensuring sustained value creation.

9. **Adapt to Context and Complexity:** ITIL Version 5 recognizes that value streams operate in dynamic and complex environments.

   Therefore, value stream management must:

   - Adapt to changing business needs.
   - Accommodate variations in workflows.
   - Respond to evolving technologies and market conditions.

   This principle ensures that value streams remain flexible and resilient.

10. **Integrate with Governance and Strategy:** Value stream management must be aligned with organizational governance and strategic objectives.

    This includes:

- Ensuring compliance with policies and standards.
- Aligning value streams with business priorities.
- Supporting strategic decision-making.

By integrating governance, organizations can ensure that value streams contribute to long-term business success.

In ITIL 4, value stream management was implicitly addressed through:

- The Service Value Chain,
- Continual improvement practices, and
- Process and practice optimization.

However, ITIL Version 5 introduces a more explicit and structured approach by:

- Treating value stream management as a distinct operational discipline.
- Emphasizing end-to-end flow optimization and real-world execution.
- Integrating value streams with the Product and Service Lifecycle.
- Highlighting dependencies, variability, and complexity management.

This reflects a transition from a framework-driven approach (ITIL 4) to a more execution-driven and adaptive approach (ITIL Version 5).

Adopting value stream management principles enables organizations to:

- Improve service delivery speed and quality.
- Enhance customer satisfaction and experience.
- Reduce operational inefficiencies and costs.
- Strengthen collaboration across teams.
- Build resilience in complex digital environments.

These benefits collectively contribute to sustainable value creation.

Value stream management principles provide the foundation for managing how value flows across the organization. By focusing on outcomes, optimizing flow, eliminating waste, and enabling collaboration,

organizations can transform fragmented operations into cohesive, high-performing value systems.

In ITIL Version 5, this represents a critical evolution—from managing processes to managing value delivery as a dynamic and end-to-end system.

Optimizing Workflows for Complexity

In ITIL Version 5, optimizing workflows is no longer viewed as a straightforward exercise of refining linear processes. Instead, it is approached as a complex and adaptive challenge, where value is created through dynamic interactions across multiple activities, stakeholders, and systems. This reflects the reality of modern digital environments, where organizations operate within highly interconnected ecosystems.

Value streams, as emphasized in ITIL Version 5, are composed of context-driven combinations of activities, information flows, and dependencies rather than fixed sequences. Therefore, workflow optimization must account for variability, uncertainty, and continuous change.

Complexity in value streams arises from the following factors:

- Multiple interacting components (such as teams, tools, partners, and technologies)
- Non-linear workflows with feedback loops and iterations
- Dynamic demand patterns and changing priorities
- Dependencies across internal and external stakeholders
- Integration of automation, AI, and digital platforms

Unlike simple systems where cause and effect are predictable, complex systems exhibit emergent behavior where outcomes are influenced by interactions across the entire system.

This makes traditional optimization approaches—focused on rigid standardization—insufficient and sometimes counterproductive.

The objective of optimizing workflows in ITIL Version 5 is to:

- Ensure efficient and reliable flow of value despite complexity.
- Balance speed, quality, cost, and risk.
- Enable adaptability and resilience.

- Support continuous improvement in dynamic conditions.

Optimization is therefore not about enforcing control, but rather about enhancing flow while managing variability.

Key Principles for Optimizing Workflows for Complexity

1. **Focus on Flow, Not Individual Activities**

   In complex environments, optimizing individual activities does not guarantee improved outcomes. Instead, organizations must focus on:

   - The end-to-end flow of work,
   - How activities interact and influence each other, and
   - Eliminating bottlenecks that disrupt flow.

   This aligns with ITIL Version 5's emphasis on optimizing value streams rather than isolated processes.

2. **Embrace Non-Linearity and Iteration**

   Workflows in digital environments are rarely linear. They often involve:

   - Iterative cycles (for example, DevOps feedback loops)
   - Rework and refinement
   - Continuous validation and testing

   Optimization must therefore:

   - Support iteration rather than rigid sequencing.
   - Allow for flexibility in execution paths.

3. **Manage Dependencies Proactively**

   Dependencies are a major source of complexity. Effective optimization requires:

   - Identifying dependencies across activities and stakeholders.
   - Reducing unnecessary dependencies.
   - Decoupling workflows where possible.

   By minimizing dependency-related delays, organizations can improve flow efficiency and predictability.

4. **Balance Standardization and Flexibility**

   While standardization improves consistency, excessive rigidity can hinder adaptability.

   ITIL Version 5 encourages organizations to:

   - Standardize where stability is required.
   - Allow flexibility where variability is expected.

   This balance ensures that workflows remain both efficient and responsive.

5. **Use Visualization to Understand Complexity**

   Visualization techniques such as value stream mapping play a crucial role in:

   - Revealing hidden dependencies.
   - Identifying bottlenecks and inefficiencies.
   - Understanding how work flows across the system.

   As highlighted in ITIL Version 5, visualization enables organizations to analyze and improve the flow of work and information.

6. **Optimize for the Whole System**

   Local optimization can lead to suboptimal outcomes if it negatively impacts other parts of the value stream.

   Organizations must:

   - Evaluate improvements based on system-wide impact.
   - Avoid silo-based optimization.
   - Align all activities with overall value creation.

   This principle reinforces the need for a holistic optimization approach.

7. **Leverage Automation and AI**

   Automation and AI play a critical role in managing complexity by:

   - Reducing manual effort and errors.
   - Accelerating repetitive tasks.
   - Providing predictive insights into workflow performance.

   However, automation must be applied carefully to:

- Enhance flow.
- Avoid introducing new dependencies or bottlenecks.

8. **Continuously Monitor and Adapt**

   In complex systems, optimization is not a one-time effort. Organizations must:

   - Continuously monitor performance metrics.
   - Identify emerging patterns and issues.
   - Adapt workflows in response to changing conditions.

This aligns with ITIL's principle of continual improvement.

Techniques for Optimizing Workflows

Organizations can apply the following practical techniques to optimize workflows in complex environments:

- **Value Stream Mapping:** To identify inefficiencies and improvement opportunities.
- **Bottleneck Analysis:** To address constraints in flow.
- **Flow Metrics Analysis:** Using lead time, cycle time, and throughput.
- **Dependency Reduction:** Simplifying interactions between activities.
- **Incremental Improvement:** Implementing small and iterative changes.

These techniques ensure that optimization efforts are data-driven and sustainable.

In ITIL 4, workflow optimization was primarily addressed through:

- Process optimization,
- Service Value Chain improvements, and
- Continual improvement practices.

While effective, this approach was often more structured and model-driven.

ITIL Version 5 extends this by:

- Recognizing workflows as complex adaptive systems.

- Emphasizing dynamic and context-driven execution.
- Integrating optimization with value stream thinking and lifecycle activities.
- Highlighting the role of dependencies, variability, and ecosystem interactions.

This represents a shift from process optimization (ITIL 4) to flow optimization in complex environments (ITIL Version 5).

For organizations, optimizing workflows for complexity means:

- Moving away from rigid and process-centric models.
- Embracing adaptive and flow-based approaches.
- Enhancing collaboration across teams and ecosystems.
- Leveraging technology to manage scale and variability.

This approach enables organizations to deliver value faster, more reliably, and with greater resilience.

Optimizing workflows for complexity is a defining capability in ITIL Version 5. It acknowledges that modern service environments cannot be managed through static models alone.

By focusing on flow, managing dependencies, embracing adaptability, and continuously improving, organizations can effectively navigate complexity and ensure that value streams operate at peak performance.

This capability is essential for sustaining value creation in an increasingly dynamic and interconnected digital landscape.

Metrics and Performance Indicators in Value Streams

In ITIL Version 5, metrics and performance indicators play a critical role in enabling organizations to measure, monitor, and improve value streams. While value streams provide a structural understanding of how value is created, metrics provide the evidence required to evaluate performance and guide decision-making.

Value stream management is inherently data-driven. Without appropriate metrics, organizations cannot determine whether workflows are efficient,

whether outcomes are being achieved, or where improvement efforts should be focused.

Purpose of Metrics in Value Streams

The primary purpose of metrics in value streams is to ensure that value creation is measurable, transparent, and continuously optimized.

According to ITIL Version 5 guidance, organizations must:

- Monitor the flow of work, information, and value.
- Evaluate the effectiveness of value streams in delivering outcomes.
- Identify inefficiencies, bottlenecks, and risks.
- Support continual improvement initiatives.

Therefore, metrics act as the feedback mechanism within value streams, enabling organizations to align operations with strategic objectives.

For metrics to be meaningful in the context of value streams, they must exhibit the following characteristics:

- **Outcome-oriented:** Focused on value delivered to stakeholders.
- **End-to-end Visibility:** Covering the entire value stream, not isolated activities.
- **Actionable:** Enabling informed decisions and improvements.
- **Balanced:** Addressing speed, quality, cost, and risk.
- **Context-aware:** Reflecting the specific nature of the value stream.

This aligns with ITIL Version 5's emphasis on measuring actual workflows and value realization, rather than merely tracking process compliance.

Value stream metrics can be grouped into the following categories to provide a comprehensive view of performance:

1. **Flow Metrics:** Flow metrics measure how efficiently work moves through the value stream.

   Key examples include:

   - **Lead Time:** Total time from demand initiation to value delivery.
   - **Cycle Time:** Time taken to complete specific activities.

- **Throughput:** Volume of work completed within a given period.
- **Work in Progress (WIP):** Number of tasks in progress at any time.

These metrics help organizations to understand the speed and efficiency of value delivery.

2. **Quality Metrics:** Quality metrics assess the reliability and effectiveness of outputs.

   Examples include:

   - Defect rates or error rates
   - Rework levels
   - First-time resolution rate (for support scenarios)
   - Service availability and reliability

   These metrics ensure that speed improvements do not compromise quality and customer experience.

3. **Value and Outcome Metrics:** These metrics evaluate whether the value stream is delivering meaningful outcomes for stakeholders.

   Examples include:

   - Customer Satisfaction (CSAT)
   - Net Promoter Score (NPS)
   - Achievement of business objectives
   - Realization of expected benefits

   ITIL Version 5 emphasizes that value streams must be assessed based on outcomes, not just outputs.

4. **Efficiency and Cost Metrics:** Efficiency metrics measure how effectively resources are utilized.

   Examples include:

   - Cost per transaction or service
   - Resource utilization rates
   - Cost of delays
   - Operational efficiency ratios

These metrics balance cost optimization with value delivery.

5. **Risk and Compliance Metrics:** In complex environments, managing risk is essential.

   Examples include:

   - Number of incidents or service disruptions
   - Compliance with policies and standards
   - Security and risk indicators
   - Change success and failure rates

   These metrics ensure that value streams operate within acceptable risk thresholds.

A key principle in ITIL Version 5 is that metrics should be applied across the entire value stream, rather than at individual process levels.

This means:

- Measuring performance from trigger to outcome.
- Identifying delays between activities.
- Understanding how dependencies impact performance.

By adopting an end-to-end measurement approach, organizations can avoid local optimization and focus on improving the overall flow of value.

Linking metrics to value stream components is extremely critical.

Metrics should be aligned with the core components of value streams, including:

- Activities and workflow steps,
- Information and artifact flows,
- Stakeholders and roles, and
- Dependencies and hand-offs.

This alignment ensures that metrics provide a comprehensive view of how value is created and delivered.

Role of Visualization in Metrics

Visualization enhances the effectiveness of metrics by presenting performance data in an accessible format.

Organizations can use:

- Dashboards for real-time monitoring.
- Heatmaps to identify bottlenecks.
- Trend analysis for performance tracking.

Visualization enables stakeholders to quickly understand performance and take timely corrective actions.

Continuous Monitoring and Feedback Loops

Metrics are most effective when integrated into continuous monitoring and feedback loops.

Organizations should:

- Regularly review performance data.
- Identify patterns and trends.
- Implement improvements based on insights.
- Measure the impact of changes.

This creates a cycle of **Measurement → Analysis → Improvement → Validation** , which is central to ITIL's continual improvement approach.

In ITIL 4, metrics were primarily associated with:

- Key Performance Indicators (KPIs),
- Critical Success Factors (CSFs), and
- Process-level performance measurement.

While valuable, this approach often focused on individual practices or activities.

ITIL Version 5 extends this by:

- Emphasizing end-to-end value stream measurement.
- Focusing on flow, outcomes, and real-world performance.
- Integrating metrics with value stream management and lifecycle activities.

- Highlighting the importance of continuous feedback and adaptability.

This represents a shift from process-centric measurement (ITIL 4) to value-centric performance management (ITIL Version 5).

When implementing metrics in value streams, organizations should:

- Select a balanced set of metrics across flow, quality, value, cost, and risk.
- Avoid excessive measurement that adds complexity without insight.
- Ensure data accuracy and consistency.
- Align metrics with organizational goals and stakeholder expectations.

Metrics and performance indicators are the backbone of effective value stream management in ITIL Version 5. They provide the visibility and insight required to understand how value is delivered and where improvements are needed.

By adopting an end-to-end, outcome-focused measurement approach, organizations can ensure that their value streams are efficient, reliable, and aligned with business objectives, enabling sustained value creation in a complex and evolving digital landscape.

Automation and AI in Value Stream Optimization

In ITIL Version 5, automation and AI are positioned as critical enablers for optimizing value streams in complex digital environments. As value streams represent the actual flow of activities, information, and dependencies, automation and AI enhance organizations' ability to improve speed, accuracy, scalability, and decision-making across these flows.

Unlike traditional optimization approaches, which rely heavily on manual analysis and intervention, ITIL Version 5 emphasizes the role of intelligent technologies in continuously analyzing, adapting, and improving value streams.

Role of Automation in Value Streams

Automation refers to the use of technology to perform tasks with minimal human intervention. Within value streams, automation primarily focuses on:

- Executing repetitive and rule-based activities.
- Reducing manual effort and operational overhead.
- Ensuring consistency and standardization.
- Accelerating workflow execution.

As highlighted in ITIL Version 5, value streams involve the movement of work, information, and artifacts across multiple activities. Automation improves this flow by eliminating delays associated with manual processing and hand-offs.

Examples of Automation in Value Streams:

- Automated ticket routing and prioritization in incident management.
- Continuous Integration and Deployment (CI/CD) in software delivery.
- Automated provisioning of infrastructure in cloud environments.
- Workflow orchestration across tools and platforms.

These capabilities enable organizations to streamline workflows and improve throughput.

Role of AI in Value Streams

AI extends automation by introducing intelligence, learning, and predictive capabilities into value stream optimization.

AI can:

- Analyze large volumes of operational data.
- Identify patterns, trends, and anomalies.
- Predict outcomes such as delays or failures.
- Recommend or execute corrective actions.

This aligns with ITIL Version 5's emphasis on managing dynamic and context-driven workflows, where traditional rule-based approaches may not be sufficient.

Key Applications of AI in Value Stream Optimization:

- **Predictive Flow Optimization:** AI can analyze historical and real-time data to:

    - Predict bottlenecks and delays.
    - Forecast demand and workload patterns.
    - Recommend adjustments to improve flow.

  This enables organizations to move from reactive to proactive optimization.
- **Intelligent Decision Support:** AI enhances decision-making by:
    - Providing data-driven insights.
    - Recommending optimal actions.
    - Supporting prioritization and resource allocation.

  This is particularly valuable in complex environments where decisions must be made rapidly and accurately.
- **Automated Incident and Problem Resolution:** AI-powered systems can:
    - Detect anomalies in real time.
    - Correlate events and identify root causes.
    - Trigger automated remediation actions.

  This reduces downtime and improves service reliability and resilience.
- **Natural Language Processing (NLP) for Interaction:** AI enables improved interaction through:
    - Chatbots and virtual assistants,
    - Automated knowledge retrieval, and
    - Intelligent ticket classification.

  These capabilities enhance both User Experience (UX) and operational efficiency.
- **Continuous Learning and Improvement:** AI systems can learn from past data and outcomes, enabling:
    - Continuous refinement of workflows,
    - Improved accuracy of predictions, and
    - Adaptive optimization of value streams.

  This aligns with ITIL's principle of continual improvement.

Benefits of Automation and AI in Value Streams

The integration of automation and AI delivers the following key benefits:

- **Increased Speed and Efficiency:** Automation reduces manual effort and accelerates workflow execution, while AI optimizes flow through predictive insights.
- **Improved Accuracy and Consistency:** Automated processes reduce human error, ensuring consistent execution across value streams.
- **Enhanced Visibility and Insights:** AI provides deep insights into value stream performance, enabling better monitoring and decision-making.
- **Reduced Operational Costs:** By automating routine tasks and optimizing resource utilization, organizations can lower operational expenses.
- **Greater Scalability:** Automation and AI enable organizations to handle increased workloads without proportional increases in resources.
- **Improved Customer Experience:** Faster and more reliable service delivery leads to better customer satisfaction and outcomes.

Integration with Value Stream Management

Automation and AI must be integrated with value stream management practices to be effective.

This involves:

- Embedding automation within workflow steps.
- Using AI to monitor and optimize end-to-end flow.
- Aligning automation initiatives with value stream objectives.
- Continuously evaluating the impact of automation on performance.

ITIL Version 5 emphasizes that optimization should focus on the entire value stream, ensuring that automation enhances overall flow rather than creating isolated efficiencies.

Balancing Automation and Human Oversight

While automation and AI provide significant benefits, ITIL Version 5 implicitly recognizes the importance of human judgment and oversight.

Organizations must:

- Ensure transparency and explainability of AI decisions.
- Maintain governance and control mechanisms.
- Balance automation with human expertise.

This is particularly important in high-risk or complex scenarios where human intervention is required.

In ITIL 4, automation was recognized as an important enabler, particularly within:

- The Information and Technology dimension,
- Continual improvement initiatives, and
- Service management practices.

However, ITIL Version 5 extends this by:

- Explicitly integrating automation and AI into value stream optimization.
- Emphasizing intelligent and adaptive workflows.
- Highlighting the role of AI in predictive and proactive management.
- Aligning automation with end-to-end value flow rather than individual processes.

This represents a shift from automation as a supporting capability (ITIL 4) to automation and AI as central drivers of value stream performance (ITIL Version 5).

For effective implementation, organizations should:

- Identify areas suitable for automation (for instance, repetitive and rule-based tasks).
- Use AI where decision-making and pattern recognition are required.
- Ensure integration across tools and platforms.
- Continuously monitor and refine automation initiatives.
- Align automation efforts with business and value stream objectives.

Automation and AI are transformative enablers in ITIL Version 5, redefining how value streams are optimized in modern digital environments. By combining speed, intelligence, and adaptability, these technologies enable organizations to manage complexity, improve performance, and deliver consistent value at scale.

When applied thoughtfully and aligned with value stream management principles, automation and AI empower organizations to move from reactive operations to proactive, intelligent, and continuously improving value delivery systems.

Aligning Value Streams with Strategy and the ITIL Value System (IVS)

In ITIL Version 5, value streams do not operate in isolation. They are integral components of a broader organizational system that connects strategy, governance, operational execution, and continual improvement. Aligning value streams with strategy and the IVS ensures that all activities within the organization contribute coherently to value creation and business objectives.

This alignment is critical because value streams represent the actual execution layer of the organization, while strategy and the IVS define the direction, structure, and control mechanisms that guide this execution.

Role of the IVS

The IVS provides the overarching model that explains how an organization's components and activities work together to facilitate value creation. It includes:

- Guiding principles
- Governance
- The service value chain/lifecycle constructs
- Management practices
- Continual improvement

As established in ITIL Version 5, the IVS ensures that demand and opportunities are translated into value through coordinated activities and

interactions.

Value streams operate within this system as the practical realization of value creation, linking high-level strategy to operational workflows.

Aligning value streams with strategy and the IVS serves the following key purposes:

- Ensures that all workflows contribute to organizational goals and priorities.
- Provides consistency between governance, policies, and execution.
- Enables effective decision-making and resource allocation.
- Supports sustainable and scalable value delivery.

Without this alignment, organizations risk optimizing individual value streams without achieving meaningful business outcomes.

Aligning Value Streams with Strategy

Strategic alignment requires value streams to be designed and managed in accordance with business objectives, customer expectations, and market demands.

- **Translating Strategy into Value Streams:** Strategy defines what the organization aims to achieve, while value streams define how it is achieved.

  Organizations must:

  - Identify strategic objectives (for example, customer experience, innovation, cost efficiency, and so on).
  - Map these objectives to relevant value streams.
  - Ensure that each value stream contributes to specific business outcomes.

  For example, a strategy focused on digital transformation may require optimizing value streams related to product development, deployment, and customer onboarding.
- **Prioritizing Value Streams Based on Strategic Importance:** Not all value streams have equal impact. Organizations should:

    - Identify critical value streams that directly influence strategic goals.
    - Allocate resources and investments accordingly.
    - Continuously evaluate their performance and relevance.

  This ensures that efforts are focused on maximizing business value.
- **Aligning Metrics with Strategic Objectives:** Performance metrics for value streams must reflect strategic priorities.

  For example:

    - If the strategy emphasizes speed, focus on lead time and throughput.
    - If the strategy emphasizes quality, focus on defect rates and reliability.
    - If the strategy emphasizes customer experience, focus on satisfaction and outcomes.

This alignment ensures that measurement drives desired behaviors and outcomes.

Aligning Value Streams with the IVS

Value streams are embedded within the IVS and must align with its core components.

- **Alignment with Guiding Principles:** Value streams should reflect ITIL guiding principles such as:

    - Focus on value.
    - Optimize and automate.
    - Progress iteratively with feedback.
    - Collaborate and promote visibility.

  The preceding principles ensure that value streams are designed and operated effectively.
- **Alignment with Governance:** Governance provides the framework for decision-making, control, and accountability.

  Value streams must:

- Comply with organizational policies and standards.
- Align with risk management and compliance requirements.
- Support transparent reporting and oversight.

This ensures that value creation occurs within controlled and accountable boundaries.

- **Integration with Lifecycle Activities:** In ITIL Version 5, value streams are closely aligned with Product and Service Lifecycle activities, such as:
  - Discover
  - Design
  - Build
  - Transition
  - Deliver
  - Operate
  - Support

  Value streams combine these activities dynamically, ensuring that execution aligns with lifecycle-driven value creation.
- **Alignment with Management Practices:** Management practices provide the capabilities required to execute value streams.

  Examples include:
  - Incident management
  - Change enablement
  - Service level management
  - Supplier management

  Value streams leverage the preceding practices to ensure that activities are structured, consistent, and effective.
- **Integration with Continual Improvement:** Continual improvement is a core component of the IVS and must be embedded within value streams.

  Organizations should:
  - Continuously monitor value stream performance.

    - Identify improvement opportunities.
    - Implement iterative enhancements.

This ensures that value streams evolve in response to the changing demands and conditions.

For ensuring end-to-end alignment, effective alignment requires a holistic approach that connects:

- Strategic intent → defined by leadership.
- Governance and policies → ensuring control and direction.
- Value streams → executing workflows.
- Metrics and feedback → enabling improvement.

This creates a closed-loop system where strategy informs execution, and execution provides feedback to refine strategy.

In ITIL 4, alignment was primarily achieved through the following:

- The Service Value System
- The Service Value Chain
- Governance and continual improvement

Value streams were derived from combinations of value chain activities with a strong conceptual linkage to strategy.

ITIL Version 5 enhances this by:

- Positioning value streams as direct operational expressions of strategy.
- Strengthening integration with the Product and Service Lifecycle.
- Emphasizing real-world workflows and dynamic execution.
- Highlighting the need for continuous alignment in complex environments.

This represents a shift from model-based alignment (ITIL 4) to execution-driven alignment (ITIL Version 5).

Organizations aligning value streams with strategy and the IVS can achieve:

- Improved coherence between business goals and operations.
- Better prioritization of initiatives and investments.

- Enhanced governance and accountability.
- Greater agility in responding to change.

This alignment ensures that value streams are not just efficient but also strategically relevant and outcome-driven.

Aligning value streams with strategy and the IVS is essential for ensuring that operational activities translate into meaningful business value. It connects the organization's intent with its execution capabilities, creating a unified system for value creation.

In ITIL Version 5, this alignment is not a one-time effort but rather a continuous process, enabling organizations to remain responsive, resilient, and focused on delivering value in an ever-evolving digital landscape.

Conclusion

This chapter established value streams as the practical foundation for value creation in ITIL Version 5, linking strategy to execution through end-to-end workflows. By identifying, mapping, and managing value streams, organizations can optimize flow, eliminate inefficiencies, and enhance collaboration. The integration of metrics, automation, AI, and continual improvement ensures adaptability in complex environments. Ultimately, value stream thinking enables organizations to move beyond process-centric models and achieve consistent, outcome-driven, and strategically aligned value delivery.

In the next chapter, we shall provide a structured overview of the ITIL Version 5 certification pathway, guiding readers through the progression from foundation level to advanced qualifications.

Multiple Choice Questions

1. What is the primary purpose of a value stream in ITIL Version 5?
    a. To document organizational processes
    b. To define roles and responsibilities
    c. To enable end-to-end value creation for stakeholders
    d. To standardize IT operations

2. Which of the following best describes an enabling value stream?
    a. A value stream that directly delivers services to customers
    b. A value stream that supports internal capabilities and core value streams
    c. A value stream focused only on automation
    d. A value stream limited to IT operations
3. What is the key focus of value stream thinking in ITIL Version 5?
    a. Optimizing individual processes
    b. Reducing IT costs only
    c. Managing end-to-end flow of value
    d. Increasing documentation accuracy
4. Which of the following is a key benefit of value stream mapping?
    a. Eliminating the need for governance
    b. Visualizing workflows, dependencies, and bottlenecks
    c. Replacing all manual processes with automation
    d. Standardizing all workflows into fixed sequences
5. How does ITIL Version 5 differ from ITIL 4 in terms of value streams?
    a. ITIL 5 removes value streams entirely
    b. ITIL 5 focuses only on process documentation
    c. ITIL 5 emphasizes real-world workflows and lifecycle integration
    d. ITIL 5 restricts value streams to IT departments only

Answers

1. c
2. b
3. c
4. b
5. c

Questions

1. Explain the concept of value streams in ITIL Version 5 and how it differs from traditional process-based approaches.
2. Differentiate between core value streams and enabling value streams with relevant examples from a digital service environment.
3. Discuss the purpose and key benefits of adopting value stream thinking in modern Digital Product and Service Management (DPSM).
4. Describe the step-by-step approach to identifying value streams within an organization. What challenges might arise during this process?
5. Explain the key components of value stream mapping and how they contribute to understanding value creation.
6. How does visualizing workflows and dependencies improve decision-making and performance in value streams? Provide practical examples.
7. Discuss the principles of value stream management and their role in optimizing end-to-end value delivery.
8. Explain how organizations can optimize workflows in complex environments while balancing standardization and flexibility.
9. Describe the different categories of metrics used in value streams and explain how they support continual improvement.
10. Analyze how automation and AI can enhance value stream optimization. What are the potential risks and governance considerations?

Key Terms

- **Value Stream:** A sequence of activities and interactions that enables end-to-end value creation for stakeholders.
- **Core Value Stream:** A customer-facing value stream that directly delivers products or services and achieves business outcomes.
- **Enabling Value Stream:** An internal value stream that supports and sustains the performance of core value streams.
- **Value Stream Thinking:** A mindset focused on optimizing the entire flow of value rather than individual processes or functions.

- **Value Stream Mapping (VSM):** A visualization technique used to analyze workflows, dependencies, and value flow across a value stream.
- **Workflow:** The sequence and interaction of activities required to achieve a specific outcome within a value stream.
- **Dependencies:** Relationships between activities, resources, or stakeholders that influence the flow and performance of work.
- **Flow Metrics:** Performance indicators such as lead time and throughput that measure the efficiency of value delivery.
- **Value Stream Management:** A discipline focused on continuously optimizing and governing the flow of value across the organization.
- **Automation and AI:** Technologies used to enhance value streams by improving speed, accuracy, and predictive decision-making.

CHAPTER 9

Completing the ITIL Foundation Picture

Introduction

The Information Technology Infrastructure Library (ITIL) Version 5 introduces a modern and integrated view of Digital Product and Service Management (DPSM). It recognizes that organizations do not create value only through isolated processes, tools, or technologies. Value is created through a combination of service relationships, Customer Experience (CX) and User Experience (UX), organizational capability, governance, operating models, and continual improvement.

For a learner preparing for the ITIL Version 5 Foundation certification, it is important to understand a few additional models and concepts that support this integrated view. These concepts explain how an organization understands its consumers, designs service experiences, assesses its maturity, and organizes itself to deliver value consistently.

This chapter will cover four important Foundation-level topics that were not addressed in the previous chapters: the 6C Model, the Service Journey, the ITIL Maturity Model, and the Operating Model. These topics help the reader move beyond memorizing ITIL terms. They explain how ITIL Version 5 can be applied in real organizational situations, where products and services must be designed, delivered, supported, governed, measured, and improved in a changing digital environment.

Where relevant, references to ITIL4 should be retained as ITIL Version 5 builds upon many ideas that were already emphasized in ITIL 4, including value co-creation, service relationships, continual improvement, and holistic service management.

By the end of this chapter, readers will understand the concept of a holistic view of value creation, ensuring that organizations consider customers, consumers, capabilities, costs, and constraints in a balanced manner.

Structure

In this chapter, we will cover the following topics:

- The 6C Model (ITIL AI Capability Model)
- The Service Journey
- Structure and Benefits of ITIL Practice Guides
- The ITIL Maturity Model
- The Operating Model
- The ITIL Transformation Model

The 6C Model (ITIL AI Capability Model)

At the beginning, let us note the following official definitions:

- **Governance** is defined as the system by which an organization is directed and controlled.
- **Governance of digital technology** further refines this as a human-based system comprising direction, oversight, and accountability for technology use.
- **Data governance** emphasizes rules, policies, standards, processes, and controls to manage data assets effectively.
- **A management system** is a set of interconnected elements that establish policy and objectives and enable their achievement.

Building upon the ITIL definition of governance as a system of direction and control, Artificial Intelligence (AI) governance extends these principles to intelligent systems, ensuring that the use of AI remains accountable, ethical, and aligned with organizational value creation.

AI governance is the system by which an organization directs, controls, and oversees the design, deployment, and use of AI capabilities, ensuring accountability, ethical alignment, and value realization. It comprises policies, standards, processes, and controls that guide AI-related decision-making, manage associated risks, and ensure that AI systems operate in alignment with organizational objectives, stakeholder expectations, and regulatory requirements.

In the context of ITIL Version 5 and DPSM:

- AI governance extends traditional technology governance into intelligent systems that learn, adapt, and influence outcomes.
- It integrates:
    - Governance principles (such as direction, oversight, accountability, and more)
    - Management systems (such as policies, objectives, controls, and more)
    - Data governance (since AI is data-dependent)
- It ensures that AI-enabled services continue to support value co-creation, while controlling risks such as bias, lack of transparency, and unintended outcomes.

AI Governance typically includes:

1. **Direction:** Establishing AI policies, ethical guidelines, and strategic objectives.
2. **Control and Oversight:** Monitoring AI performance, decisions, and compliance with defined standards.
3. **Accountability:** Defining ownership for AI outcomes, decisions, and risks.
4. **Policy and Standards Framework:** Leveraging documented expectations and rules to guide AI usage.
5. **Risk and Compliance Management:** Ensuring AI systems adhere to internal controls and external regulations.

To enhance our understanding, let us consider the following practical example aligned with ITIL thinking.

An organization deploying an AI-based incident resolution engine:

- Governance defines acceptable decision boundaries (for example, AI can auto-resolve low-risk tickets only).
- Policies ensure auditability and traceability of AI decisions.
- Oversight mechanisms monitor accuracy and unintended impacts.
- Accountability is assigned to a service owner or AI governance board.

Now, let us understand the ITIL AI Capability Model (6C Model).

Understanding the ITIL AI Capability Model (6C Model)

To introduce AI systematically into DPSM, ITIL Version 5 positions AI not merely as a technology capability but as an organizational capability—built through structured governance, practices, data, and continual improvement.

Drawing from the glossary:

- A capability is "the ability of an organization, person, process, or service to carry out an activity."
- A management system establishes "policies, objectives, and controls to achieve outcomes."
- Governance ensures direction, oversight, and accountability.

Building on these principles, the ITIL AI Capability Model (6C Model) defines how organizations progressively develop AI capabilities to enable value co-creation.

The model consists of the following six core capability domains:

1. **Creation** : AI generates net-new outputs in response to prompts and triggers, including producing content, code, documentation, or any other artifacts that were not available presently.

   Definition: The capability to design, build, and deploy AI models and solutions using organizational resources, data, and technologies.

   What It Focuses on:

   - Model development (such as ML, NLP, automation, and more)
   - Data preparation and training
   - Integration into digital products and services

   ITIL Alignment:

   - Linked to product and service management activities.
   - Supported by software development and management practice.

   Example: An organization develops an AI-based chatbot to automate service desk queries by using historical incident data.

2. **Coordination:** AI autonomously executes, orchestrates, or triggers actions across systems, often in response to events, requests, or patterns.

   Definition: The capability to align AI initiatives across teams, practices, partners, and value streams to ensure seamless integration and delivery.

   What It Focuses on:

   - Cross-functional alignment (such as DevOps, ITSM, Data teams, and so on)
   - Integration with value streams
   - Dependency management

   ITIL Alignment:

   - Aligns with value streams and processes.
   - Relates to the partners and suppliers dimension.

   Example: AI deployment for predictive incident management requires coordination between infrastructure, service desk, and data science teams.

3. **Communication:** AI acts as a communicative interface, allowing users to interact with services and systems naturally.

   Definition: The capability to ensure clear, transparent, and effective communication of AI decisions, outputs, and value to stakeholders.

   What It Focuses on:

   - Explainability of AI decisions
   - Stakeholder engagement
   - Feedback mechanisms

   ITIL Alignment:

   - Supports service relationship management.
   - Uses feedback loops for continual improvement.

   Example: An AI engine suggests change approvals, and the system provides human-readable explanations to CAB members.

4. **Cognition:** AI identifies patterns, anomalies, or hidden insights across data, enabling proactive detection, forecasting, and analysis.

   Definition: The capability of AI systems to interpret data, learn patterns, and generate insights that support decision-making.

   What It Focuses on:

   - Predictive analytics
   - Pattern recognition
   - Decision intelligence

   ITIL Alignment:

   - Supports measurement and reporting practice.
   - Enhances continual improvement.

   Example: AI identifies recurring incidents and predicts potential outages before they occur.

5. **Clarification:** AI helps users find, understand, navigate, or improve existing content by summarizing, rephrasing, restructuring, or translating it.

   Definition: The capability to ensure AI outputs are accurate, validated, trustworthy, and aligned with organizational policies and objectives.

   What It Focuses on:

   - Validation and testing
   - Bias detection
   - Governance and compliance

   ITIL Alignment:

   - Strong linkage to risk management practice.
   - Supports service validation and testing practice.

   Example: AI recommendations for problem resolution are validated against known error databases before execution.

6. **Curation:** AI improves the quality, organization, and relevance of existing data or knowledge by identifying redundancies, outdated information, inconsistencies, or noncompliance.

Definition: The capability to manage, maintain, refine, and govern AI models, data, and knowledge assets throughout their lifecycle to ensure sustained value and relevance.

What It Focuses on:

- Data management and quality control
- Model lifecycle management (such as retraining, tuning, versioning, and more)
- Knowledge base maintenance
- Continuous improvement of AI outputs

ITIL Alignment:

- Supports knowledge management practice.
- Aligns with continual improvement.
- Enables service quality and reliability over time.

Example: An organization continuously refines its AI-based incident resolution system by:

- Updating training datasets.
- Removing outdated knowledge articles.
- Improving model accuracy based on feedback.

Now, it is time to understand how the 6C Model works together.

The six capabilities are not standalone; rather, they operate as an integrated and interdependent system:

- Creation builds AI solutions.
- Coordination integrates them across value streams.
- Communication ensures transparency and trust.
- Cognition delivers intelligence and insights.
- Clarification ensures accuracy and reliability.
- Curation sustains, refines, and evolves AI capabilities over time.

The six capabilities of the ITIL AI Capability Model function as an integrated system rather than isolated components. Creation establishes AI solutions, coordination embeds them within value streams, communication

builds transparency and stakeholder trust, cognition enables intelligent decision-making, clarification ensures the accuracy and reliability of outputs, and curation continuously refines and sustains AI capabilities to ensure long-term value realization.

- The first five capabilities focus on:
  - Building
  - Integrating
  - Delivery
  - Validating AI
- The sixth capability (Curation) ensures:
  - Longevity
  - Relevance
  - Continuous improvement

This makes the model a closed-loop system aligned with continual improvement in ITIL.

The ITIL AI Capability Model (6C Model) transforms AI from a technical implementation into an organizational capability. By integrating creation, coordination, communication, cognition, clarification, and control, organizations can ensure that AI not only delivers intelligent outcomes but also does so in a governed, transparent, and value-driven manner.

Table 9.1 is a practical Illustration (End-to-end View) of the use case, that is, AI-driven incident management:

Capability	Application
Creation	Build an AI model for incident categorization
Coordination	Integrate with the ITSM tool and workflows
Communication	Provide an explanation of the ticket classification
Cognition	Predict incident priority and impact
Clarification	Validate predictions against historical data
Curation	Continuously refine the AI model by updating training data, improving accuracy, and incorporating feedback

Table 9.1: *AI-driven Incident Management*

The 6C Model (ITIL AI Capability Model) provides a structured and scalable approach for embedding AI into ITIL-based service management. It ensures that AI adoption is not fragmented but governed, aligned, and continuously improved—enabling sustainable digital trust and operational excellence.

Mapping the 6C Model to the ITIL Value Chain (ITIL 4 versus Version 5)

To position the ITIL AI Capability Model (6C Model) within the ITIL ecosystem, it is essential to map each capability to value creation activities. This ensures that AI is not treated as an isolated function but rather as an embedded capability across the service lifecycle/value chain.

Recall:

- A **value chain** is "an entire set of activities that enables value through the provision of a product or service."
- **Value stream activities** transform inputs into outputs to enable value co-creation.

ITIL 4 Service Value Chain Activities:

- Plan
- Engage
- Design and Transition
- Obtain/Build
- Deliver and Support
- Improve

ITIL Version 5 (the Value Chain Activities):

- Discover
- Design
- Acquire
- Build
- Transition
- Deliver

- Operate
- Support

Mapping the 6C Model to ITIL 4 and ITIL Version 5

This section will map the AI Capability 6C Model to the ITIL value chain, highlighting the key differences and enhancements between ITIL Version 4 and Version 5 in enabling AI-driven service management.

A. Creation

ITIL 4	ITIL Version 5
Design and Transition, Obtain/Build	Design, Acquire, Build

Table 9.2: *Mapping Creation within the AI Capability 6C Model to the ITIL Value Chain (ITIL 4 versus ITIL Version 5)*

Interpretation: Creation aligns with building AI models, training datasets, and integrating them into services.

Insight:

- In ITIL 4 → Focused on development and transition.
- In ITIL Version 5 → More granular separation (Design versus Build versus Acquire).

B. Coordination

ITIL 4	ITIL Version 5
Plan, Engage	Discover, Design, Transition

Table 9.3: *Mapping Coordination within the AI Capability 6C Model to the ITIL Value Chain (ITIL 4 versus ITIL Version 5)*

Interpretation: Coordination ensures alignment across stakeholders, value streams, and partners.

Insight:

- ITIL 4 → Coordination embedded in planning and engagement.
- ITIL Version 5 → Stronger emphasis on early-stage discovery and lifecycle orchestration.

C. Communication

ITIL 4	ITIL Version 5
Engage	Discover, Deliver, Support

Table 9.4: *Mapping Communication within the AI Capability 6C Model to the ITIL Value Chain (ITIL 4 versus ITIL Version 5)*

Interpretation: Communication ensures transparency, stakeholder interaction, and feedback loops.

Insight:

- ITIL 4 → Primarily engagement-driven.
- ITIL Version 5 → Continuous communication across lifecycle stages.

D. Cognition

ITIL 4	ITIL Version 5
Improve, Deliver, and Support	Operate, Deliver, Improve

Table 9.5: *Mapping Cognition within the AI Capability 6C Model to the ITIL Value Chain (ITIL 4 versus ITIL Version 5)*

Interpretation: Cognition represents AI-driven insights, predictions, and decision-making.

Insight:

- ITIL 4 → Focus on improvement and operational analytics.
- ITIL Version 5 → Embedded into real-time operations and delivery.

E. Clarification

ITIL 4	ITIL Version 5
Design and Transition, Improve	Design, Transition, Support

Table 9.6: *Mapping Clarification within the AI Capability 6C Model to the ITIL Value Chain (ITIL 4 versus ITIL Version 5)*

Interpretation: Clarification ensures validation, testing, and trustworthiness of AI outputs.

Insight:

- ITIL 4 → Validation tied to transition and improvement.

- ITIL Version 5 → Stronger lifecycle validation including operational assurance.

F. Curation

ITIL 4	ITIL Version 5
Improve	Discover, Design, Operate, Support

Table 9.7: *Mapping Curation within the AI Capability 6C Model to the ITIL Value Chain (ITIL 4 versus ITIL Version 5)*

Interpretation: Curation ensures the continuous management, refinement, and evolution of AI models, data, and knowledge assets to sustain value over time.

Insight:

- **ITIL 4** → Curation is primarily anchored in improvement activities, focusing on iterative enhancement and learning.
- **ITIL Version 5** → Curation becomes lifecycle-integrated, ensuring AI capabilities are continuously updated, optimized, and aligned across discovery, design, operation, and support stages.

Curation extends beyond traditional improvement by embedding continuous learning and refinement into the lifecycle of AI-enabled services. It ensures that AI systems remain relevant, accurate, and aligned with evolving business and stakeholder needs.

Table 9.8 lists the 6C Capability Mapping to the ITIL Value Chain (ITIL4 versus ITIL Version 5):

6C Capability	ITIL 4 Activities	ITIL Version 5 Activities
Creation	Design and Transition, Obtain/Build	Design, Build, Acquire
Coordination	Plan, Engage	Discover, Design, Transition
Communication	Engage	Discover, Deliver, Support
Cognition	Improve, Deliver and Support	Operate, Deliver, Improve
Clarification	Design and Transition, Improve	Design, Transition, Support
Curation	Improve	Discover, Design, Operate, Support

Table 9.8: *6C Capability Mapping to ITIL Value Chain (ITIL 4 versus ITIL Version 5)*

Curation replaces traditional control-oriented thinking by emphasizing continuous refinement and lifecycle management of AI capabilities. While ITIL 4 anchors this capability primarily within improvement activities, ITIL Version 5 integrates curation across the lifecycle to ensure sustained value, accuracy, and relevance of AI-driven services.

Table 9.9 lists a few key architectural insights on the shift from ITIL 4 → ITIL Version 5:

Dimension	ITIL 4	ITIL Version 5
AI Role	Supporting capability	Embedded lifecycle capability
Governance	Centralized (Plan/Improve)	Distributed across lifecycle
Value Creation	Activity-based	Lifecycle + product-centric
AI Integration	Practice-level	Value stream + lifecycle-level

Table 9.9: *Key Architectural Insight on the Shift from ITIL 4 → ITIL Version 5*

While ITIL 4 integrates AI capabilities within specific value chain activities, ITIL Version 5 elevates AI as a lifecycle-wide capability. The 6C Model demonstrates that AI is not confined to development or operations—it is orchestrated across discovery, design, delivery, and continual improvement, ensuring that intelligence is embedded into every stage of value creation.

Table 9.10 demonstrates a practical example (that is, end-to-end mapping) of AI-powered change enablement:

Stage	6C Capability Applied
Discover	Coordination, Communication
Design	Creation, Clarification
Build	Creation
Transition	Clarification, Control
Deliver	Cognition, Communication
Operate	Cognition, Control
Support	Communication, Clarification

Table 9.10: *A Practical Example (End-to-end Mapping) of AI-Powered Change Enablement*

The mapping clearly demonstrates that:

- The 6C Model is lifecycle-spanning, not activity-bound.
- ITIL Version 5 provides a more natural and scalable fit for AI capabilities.

AI becomes a governed, integrated, and continuously improving capability.

The Service Journey

The Service Journey describes the complete experience of a customer, user, or consumer as they interact with a product or service over time. It includes all stages from the first recognition of a need to the ongoing use, support, improvement, and possible retirement or replacement of the service.

A service journey is not the same as a process flow. A process flow usually describes how work is performed internally by the provider. A service journey describes how the service is experienced from the stakeholder's point of view.

This distinction is important. A provider may believe that a process is efficient, but the customer may still experience delays, confusion, repeated handoffs, or lack of communication. The Service Journey reveals these gaps.

Purpose of the Service Journey

When introducing experience-focused concepts in ITIL Version 5, it is essential to anchor them in the glossary language—particularly around service experience, value co-creation, stakeholders, and design thinking—and then extend them into modern digital contexts.

1. **Experience** : Experience refers to the overall perception formed through interactions between a stakeholder and a service, encompassing both functional outcomes and emotional responses.

   Glossary Alignment: ITIL defines service experience as "the sum of the functional and emotional interactions with a service and service provider as perceived by a stakeholder."

   Example: A user raising a ticket evaluates not only the resolution time (functional) but also responsiveness and empathy (emotional).
2. **Digital Experience** : Digital experience is the perception of a service when interactions are enabled primarily through digital technologies,

platforms, or interfaces.

Interpretation Using Glossary Terms:

- Built on digital products and services.
- Delivered through the information and technology dimension.
- Evaluated through service experience.

Example: Using a mobile application to log incidents and track resolution status in real-time.

3. **Trust:** Trust is the confidence stakeholders have that a service will consistently deliver expected outcomes, operate reliably, and protect their interests.

   Glossary Linkage:

   - Derived from warranty (how the service performs) and utility (what the service does).
   - Reinforced by governance and service quality.

   Example: Users trust an AI-driven system when it provides accurate recommendations and maintains data confidentiality.

4. **User Experience (UX)** : UX focuses on the usability, accessibility, and overall interaction quality, as experienced by users when engaging with a service.

   Glossary Alignment:

   - Rooted in service experience.
   - Influenced by design thinking, which is "a human-centered approach to designing solutions."

   Example: A service portal that is intuitive, fast, and easy to navigate enhances UX.

5. **Customer Experience (CX)** : CX represents the broader perception of value formed by customers across all interactions with a service provider.

   Glossary Alignment:

   - Linked to service relationship and value co-creation.
   - Includes strategic and lifecycle interactions, not just usage.

Example: A customer evaluates CX based on onboarding, service delivery, support quality, and continual engagement.

6. **Experience Level Agreement (XLA)** : An XLA is a commitment focused on measuring and managing stakeholder experience rather than just technical performance.

   Positioning with ITIL Concepts:

   - Extends beyond Service Level Agreements (SLAs).
   - Incorporates feedback loops and perception-based metrics.
   - Aligns with continual improvement.

   Example: Instead of only measuring the "incident resolution time," an XLA also measures "user satisfaction with incident handling."

7. **Human-Centered Design:** Human-centered design is an approach that places users and stakeholders at the core of service design, ensuring that solutions meet real needs effectively.

   Glossary Alignment: Closely related to design thinking, defined as "a human-centered approach to problem-solving and innovation."

   Key Focus Areas:

   - Empathy with users.
   - Iterative design and feedback.
   - Alignment with stakeholder expectations.

   Example: Designing a service desk portal based on user behavior analysis and feedback rather than technical convenience.

Table 9.11 displays the integrated view:

Term	Focus	ITIL Foundation Link
Experience	Overall perception	Service experience
Digital Experience	Technology-enabled interaction	Digital services
Trust	Confidence in outcomes	Utility, warranty, governance
UX	User interaction quality	Design thinking
CX	End-to-end customer perception	Service relationship
XLA	Experience measurement	Continual improvement

Human-Centered Design	Designing for users	Design thinking

Table 9.11: *Integrated View of Experience-focused Concepts*

In ITIL Version 5, experience is not an abstract concept but rather a measurable outcome of value co-creation. By integrating UX, CX, and trust into service design and delivery, organizations move beyond traditional performance metrics toward truly human-centered service management.

Experience-driven service management represents a shift from:

- Output-based measurement → Outcome and perception-based measurement.
- Technology-centric design → Human-centered design.
- Service efficiency → Service excellence and trust.

This evolution is critical in digital environments where experience defines value.

Service Journey as a Key Concept of Service Relationships (ITIL Version 5)

Service journey is "the sum of activities and interactions performed by organizations engaged in service relationships and a service consumer as a service provider and a service consumer."

This definition establishes that a service journey is not a single interaction, but rather a comprehensive sequence of engagements between service providers and service consumers over time.

Understanding the Service Journey

The service journey is presented as a structured yet flexible sequence of steps, showing interactions between:

- Service consumer
- Service provider
- Supported by concepts such as:
    - Line of visibility
    - Band of visibility

Figure 9.1 provides a visual representation of the line of visibility:

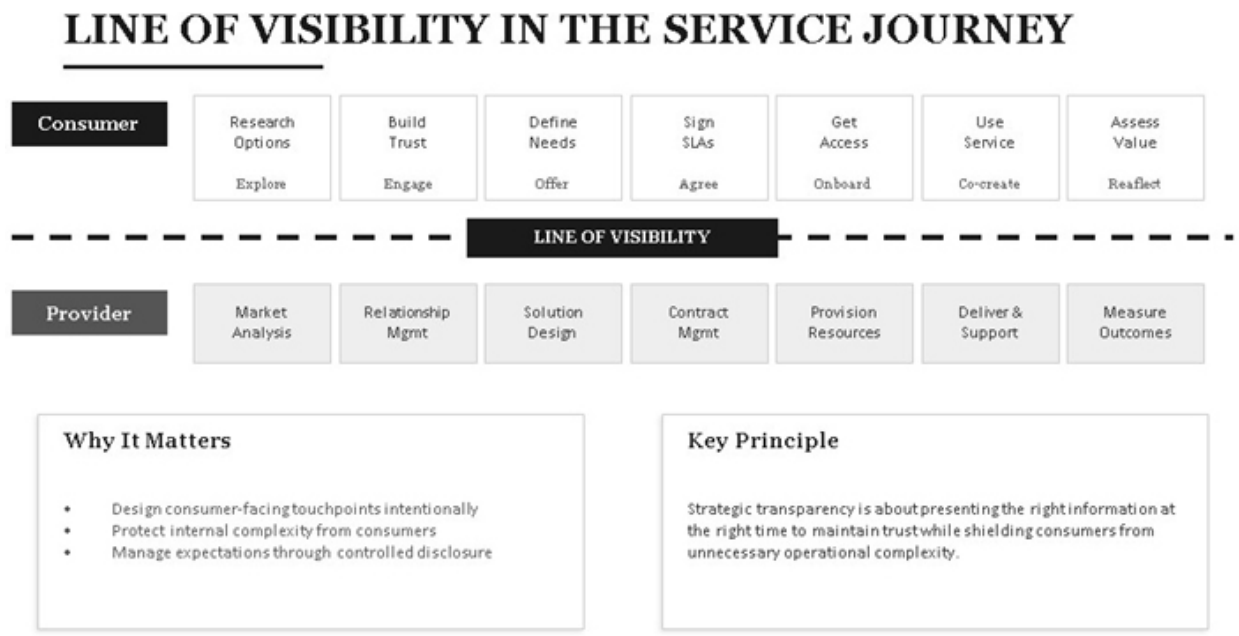

Figure 9.1: *Line of Visibility*

Figure 9.2 depicts the Band of Visibility:

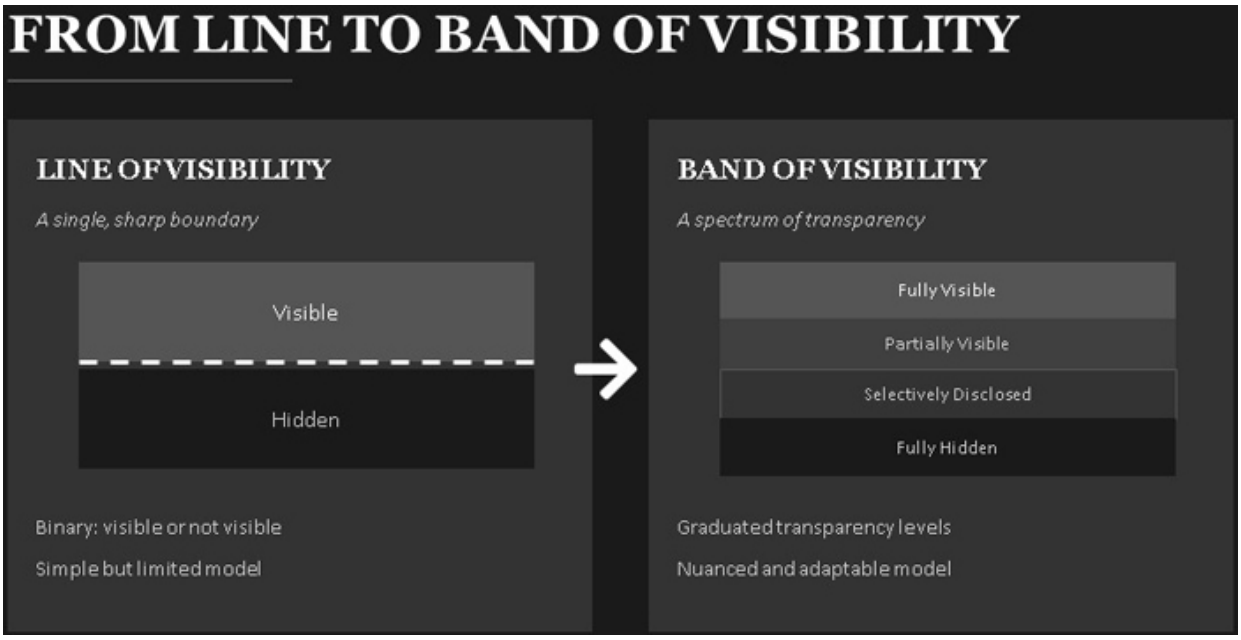

Figure 9.2: *Band of Visibility*

To enhance our understanding, we can refer to *Figure 9.3* :

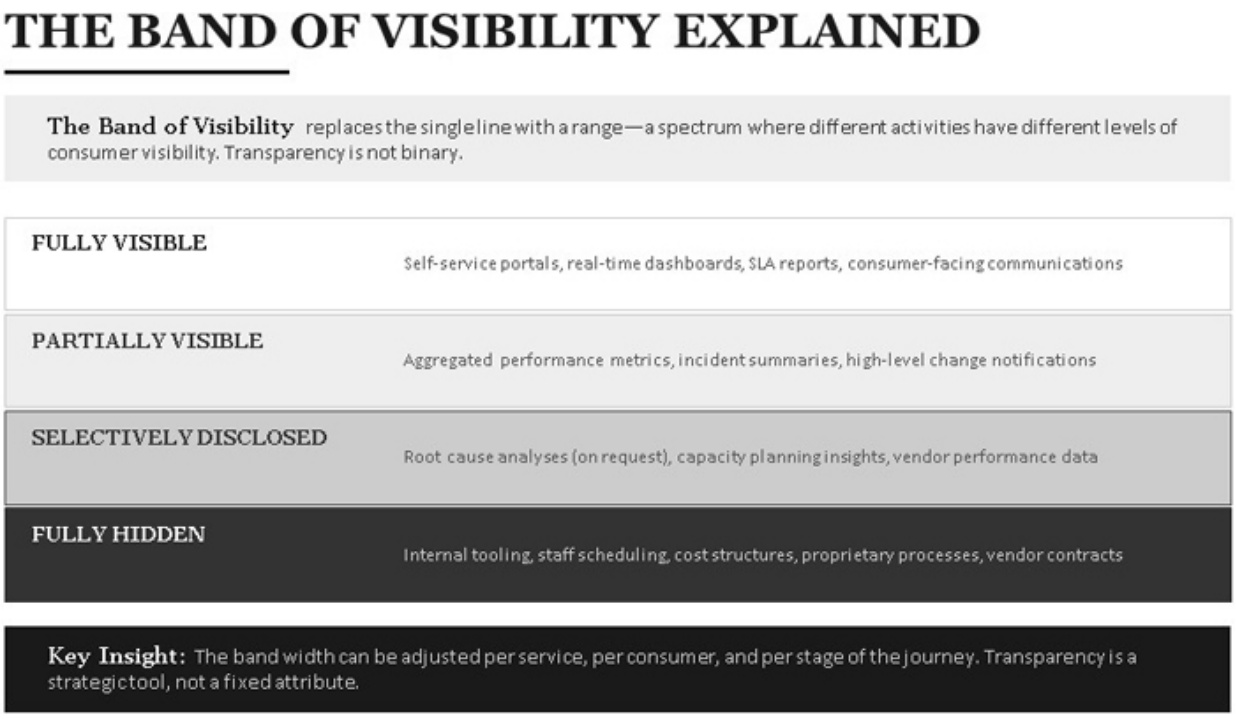

Figure 9.3: *Band of Visibility Explained*

The highlights are as follows:

- The journey is not strictly linear.
- Steps may vary, repeat, or occur in a different order.
- It should be treated as multiple possible routes, not a fixed lifecycle.

The Seven Steps of Service Journey

Service relationships between two organizations are not fixed. Instead, they develop over time, progressing through a journey made up of seven distinct stages.

The seven steps are as follows:

1. **Explore** : Service provider and consumer establish the relationship and understand the needs and opportunities.

   Key Focus:

   - Identify needs and expectations.
   - Understand context, strategy, and capabilities.

Example **:** A company explores AI-based service desk solutions to improve incident resolution.

2. **Engage** : Building relationships and enabling value co-creation through interaction and communication.

   Key Focus:

   - Stakeholder engagement
   - Requirement discussions
   - Initial collaboration

   Example: IT and business teams engage with vendors to discuss automation requirements.

3. **Offer** : The service provider defines and presents service offerings aligned to consumer needs.

   Key Focus:

   - Define service scope.
   - Translate demand into offerings.
   - Document service options.

   Example: A provider offers AI-driven incident categorization with defined SLAs and features.

4. **Agree:** Both parties align expectations, scope, and commitments for value co-creation.

   Key Focus:

   - Finalize requirements.
   - Establish agreements (such as SLA, XLA, and more).
   - Define responsibilities.

   Example: Agreement signed for AI-powered service desk with defined response and experience metrics.

5. **Onboard** : Transition phase where both parties prepare for service delivery.

   Key Focus:

   - Integration of systems

- Resource setup
- User enablement

Example: AI tools are integrated with the Information Technology Service Management (ITSM) platform, and users are trained on the new system.

6. **Co-create** : The core phase where value is jointly created through service consumption and provision.

   Key Focus:

   - Service delivery and consumption
   - Continuous interaction
   - Value realization

   Example: An AI system actively categorizes incidents while users interact and provide feedback.

7. **Reflect:** Evaluation and improvement phase to enhance value and outcomes.

   Key Focus:

   - Feedback analysis
   - Performance review
   - Continual improvement

   Example: Review of AI accuracy, user satisfaction, and improvement of algorithms.

The service journey model has:

- Parallel tracks for:
  - Service consumer journey and
  - Service provider journey.
- Interaction zones for:
  - Service interaction,
  - Line of visibility, and
  - Band of visibility.

Additionally:

- CX and UX are influenced at different stages.

Key Characteristics of Service Journey:

- **Dynamic and Non-linear** : Steps may occur in different sequences or repeat.
- **Relationship-driven** : Focuses on ongoing interaction, not one-time delivery.
- **Value Co-creation Focused** : Value emerges through collaboration, not just delivery.
- **Experience-centric** : Strong linkage to CX and UX.

The service journey in ITIL Version 5 represents the evolution from transactional service delivery to relationship-driven value co-creation. By structuring interactions across seven distinct yet flexible steps—Explore, Engage, Offer, Agree, Onboard, Co-create, and Reflect—organizations can systematically design, deliver, and continuously enhance service experiences.

Table 9.12 describes an end-to-end example (that is, integrated view) in the form of a use case for AI-powered ITSM implementation:

Step	Application
Explore	Identify the need for automation
Engage	Discuss requirements with stakeholders
Offer	Define an AI-based solution
Agree	Finalize scope and SLA/XLA
Onboard	Integrate AI with the ITSM tool
Co-create	Deliver AI-driven services
Reflect	Improve based on feedback

Table 9.12: *AI-Powered ITSM Implementation*

The service journey is a foundational concept in ITIL Version 5 that:

- Connects service relationships, experience, and value.
- Provides a structured yet flexible framework.

- Enables organizations to move from service delivery → value co-creation.

Mapping Service Journey to the ITIL Value Chain (ITIL 4 versus Version 5)

To position the Service Journey (Explore → Engage → Offer → Agree → Onboard → Co-create → Reflect) within ITIL, it must be mapped to value creation activities. This ensures that the journey is understood not as a standalone concept, but rather as an operationalization of value co-creation across the lifecycle.

Let Us Recall :

- **A service journey** is the "sum of activities and interactions in service relationships . "
- **A value chain** is the "set of activities that enables value through products and services."

Table 9.13 describes the conceptual alignment:

Concept	Role
Service Journey	Interaction model (relationship-centric)
Value Chain	Activity model (operational-centric)

Table 9.13: *Conceptual Alignment*

Key Insight:

The service journey describes "how stakeholders interact", while the value chain describes "how value is created."

ITIL 4 Service Value Chain Activities:

- Plan
- Engage
- Design and Transition
- Obtain/Build
- Deliver and Support
- Improve

ITIL Product and Service Lifecycle Stages:

- Discover
- Design
- Acquire
- Build
- Transition
- Deliver
- Operate
- Support

Table 9.14 lists the mapping of service journey steps to ITIL 4:

Service Journey Step	ITIL 4 Activity Mapping	Interpretation
Explore	Plan, Engage	Identify needs, understand stakeholders
Engage	Engage	Build relationships and communication
Offer	Design and Transition	Define service offerings
Agree	Plan, Engage	Formalize agreements and expectations
Onboard	Design and Transition, Obtain/Build	Prepare systems and users
Co-create	Deliver and Support	Deliver and consume services
Reflect	Improve	Evaluate and enhance outcomes

Table 9.14: *Mapping of Service Journey Steps to ITIL 4*

Table 9.15 demonstrates the mapping of service journey steps to ITIL Version 5:

Service Journey Step	ITIL Version 5 Activity Mapping	Interpretation
Explore	Discover	Understand needs, opportunities
Engage	Discover, Design	Stakeholder interaction and shaping
Offer	Design	Define service offerings
Agree	Design, Transition	Align expectations and commitments
Onboard	Transition, Acquire, Build	Enable readiness and integration

Co-create	Deliver, Operate	Deliver and realize value
Reflect	Support, Improve (implicit lifecycle)	Feedback and continual improvement

Table 9.15: *Mapping of Service Journey Steps to ITIL Version 5*

Table 9.16 is the consolidated mapping table:

Service Journey	ITIL 4	ITIL Version 5
Explore	Plan, Engage	Discover
Engage	Engage	Discover, Design
Offer	Design and Transition	Design
Agree	Plan, Engage	Design, Transition
Onboard	Design and Transition, Obtain/Build	Transition, Acquire, Build
Co-create	Deliver and Support	Deliver, Operate
Reflect	Improve	Support, Improve

Table 9.16: *Consolidated Mapping Table*

The service journey operationalizes the ITIL value chain by translating abstract value creation activities into tangible stakeholder interactions. While ITIL 4 embeds these interactions within discrete activities, ITIL Version 5 elevates them into a lifecycle-driven and experience-centric model where value is continuously co-created across every stage.

Table 9.17 describes a practical example in the form of a use case of digital service implementation:

Service Journey	ITIL Version 5 Activity	Example
Explore	Discover	Identify the need for mobile service
Engage	Discover/Design	Discuss requirements
Offer	Design	Define app features
Agree	Design/Transition	Approve scope
Onboard	Transition/Build	Deploy app
Co-create	Deliver/Operate	Users consume the service
Reflect	Support	Enhance based on feedback

Table 9.17: *Digital Service Implementation*

To conclude, we can state the following:

- The Service Journey = Stakeholder interaction layer
- The Value Chain = Operational execution layer
- Together, they form a complete model for value co-creation in ITIL Version 5.

Structure and Benefits of ITIL Practice Guides

It has already been clearly established that:

- A management practice is a “set of organizational resources and capabilities designed to perform work or achieve objectives.”
- ITIL includes 34 management practices, each supported by structured guidance.

From this, the ITIL Practice Guides are designed as standardized and modular guidance documents that provide detailed, consistent, and actionable instructions for each practice.

Core Structure of ITIL Practice Guides

Based on the ITIL framework structure, each Practice Guide follows a consistent architecture. There are seven chapters, which are as follows:

Chapter 1: General Information

This chapter introduces the practice and establishes its overall context within service management.

The chapter includes:

- Purpose of the practice
- Scope
- Key concepts and terminology
- Practice description
- Expected outcomes
- Contribution to value creation
- Relationship with organizational objectives

This chapter provides the foundational understanding of the practice. It explains why the practice exists, what value it delivers, and how it supports service management activities within the organization and ITIL 4 ecosystem.

Chapter 2: Value Streams and Processes

This chapter explains how the practice operates through workflows, activities, and organizational processes.

The chapter contains:

- Value streams supported by the practice
- Process workflows
- Activities and procedures
- Inputs and outputs
- Workflow interactions
- Integration with other practices
- Operational sequence of activities

This chapter operationalizes the practice by describing how the work is performed and how the practice contributes to organizational value streams. It also explains the interaction between processes and related practices.

Chapter 3: Organizations and People

This chapter focuses on the organizational and human elements required for the effective execution of the practice.

The chapter includes:

- Organizational structures
- Roles and responsibilities
- Accountability
- Collaboration requirements
- Communication considerations
- Skills and competency expectations

This chapter explains the people-related requirements of the practice. It identifies who performs the activities, how responsibilities are assigned, and what organizational arrangements support successful practice operation.

Chapter 4: Information and Technology

This chapter explains the informational and technological resources that enable and support the practice.

The chapter includes:

- Information objects
- Data and knowledge requirements
- Technology tools
- Automation opportunities
- Supporting systems and platforms
- Technology integration considerations

This chapter focuses on how information and technology support efficient and scalable execution of the practice. It explains the role of automation, tools, data, and systems in enabling service management activities .

Chapter 5: Partners and Suppliers

This chapter addresses external relationships and dependencies that support the practice.

The chapter includes:

- Supplier relationships
- Vendor involvement
- External service dependencies
- Partnership arrangements
- Collaboration models
- Governance considerations for third parties

This chapter explains how external organizations contribute to the practice and how supplier relationships should be managed to ensure alignment with organizational objectives and service requirements.

Chapter 6: Capability Assessment and Development

This chapter focuses on evaluating and improving the practice's capability.

The chapter includes:

- Capability assessment approaches
- Practice maturity considerations
- Capability improvement guidance
- Development planning
- Assessment criteria
- Improvement opportunities
- Continual enhancement recommendations

This chapter allows organizations to assess the current state of the practice as per the ITIL Maturity Model and identify areas for development and improvement. It supports capability growth, maturity progression, and continual improvement aligned with ITIL 4 principles.

Chapter 7: Recommendations for the Practice Success

This chapter provides guidance and recommendations to support the successful implementation and operation of the practice mapped to guiding principles.

The chapter includes:

- Practice success recommendations
- Good-practice guidance
- Critical success considerations
- Risk considerations
- Operational recommendations
- Improvement guidance
- Practical implementation advice

This chapter provides actionable guidance to help organizations successfully adopt, operate, and optimize the practice. It highlights recommended approaches and practical considerations for achieving desired outcomes.

This standardized structure is used across ITIL Official Practice Guides to ensure:

- Consistency across practices,
- Structured documentation,
- Operational clarity,
- Alignment with ITIL,
- Practical usability, and
- Governance and continual improvement support.

This structure serves as the formal blueprint for authoring and maintaining ITIL practice guides.

Benefits of ITIL Practice Guides

The emphasis is on:

- Structured management systems

- Integrated practices
- Continuous improvement and governance

From this, the benefits of ITIL Practice Guides can be articulated as follows:

- **Standardization of Practices**
    - Provides a consistent approach across the organization.
    - Reduces ambiguity in execution.
    - Ensures alignment with organizational objectives and governance.
- **Improved Capability and Maturity**
    - Practice success factors enable:
        - Capability assessment
        - Maturity progression
    - Supports structured growth of ITSM capabilities.
- **Enhanced Value Co-creation**
    - Practices directly contribute to value streams and outcomes.
    - Align with the ITIL Value System (IVS).
    - Enables better outcomes for stakeholders.
- **Better Integration across Value Streams**
    - Practices are designed to interact and integrate.
    - Support end-to-end service delivery.
    - Eliminates silos and improves coordination.
- **Measurable Performance and Control**
    - Defined metrics and KPIs allow:
        - Monitoring
        - Reporting
        - Optimization
    - Strengthens governance and accountability.
- **Support for Continual Improvement**

    - Built-in feedback and measurement mechanisms.
    - Align with the continual improvement model.
    - Enables iterative enhancement of services.
- **Alignment with Governance and Management Systems**
    - Practices operate within:
        - Governance structures
    - Management systems
    - Ensures control, compliance, and strategic alignment.
- **Flexibility and Adaptability**
    - Practice Guides are:
        - Modular,
        - Scalable, and
        - Adaptable to different organizations.
    - Supports diverse organizational contexts.

Table 9.18 demonstrates the integrated view:

Aspect	Structure	Benefit
Purpose and Scope	Defines boundaries	Clarity and alignment
PSFs	Success criteria	Capability maturity
Activities	Operational guidance	Consistent execution
Roles	Accountability	Governance
Metrics	Measurement	Performance control
Integration	Cross-practice linkage	End-to-end value

Table 9.18: *The Integrated View*

The ITIL Practice Guides translate the ITIL framework into actionable and structured capabilities. By providing standardized guidance across purpose, activities, roles, and measurement, they enable organizations to operationalize value co-creation while ensuring governance, integration, and continual improvement.

The **structure** of the ITIL Practice Guides ensures:

- Consistency
- Clarity
- Integration

The **benefits** ensure:

- Scalability
- Measurability
- Continuous value delivery

Combined, they form the operational backbone of ITIL Version 5 service management.

The ITIL Maturity Model

The ITIL Maturity Model is a structured assessment approach to understand how effectively an organization manages, governs, measures, and improves its IT-enabled products and services. It allows organizations to answer a practical question: How mature are our service management capabilities, and what must improve next?

In simple terms, the ITIL Maturity Model provides a way to assess the current state of service management, identify gaps, establish a baseline, and define a realistic improvement roadmap. It is not merely a checklist to confirm whether ITIL terms are being used. Instead, it evaluates whether service management practices are genuinely embedded, consistently performed, measured, governed, and improved.

The ITIL Maturity Model is described as a way to assess an organization's product and service management capabilities and the maturity of its management and governance system for IT. Its primary purpose is to support improvement planning by identifying development areas and tracking progress over time.

Capability and Maturity: The Important Distinction

A key point for readers to understand is the difference between practice capability and organizational maturity.

Practice capability focuses on a specific ITIL practice, such as Incident Management, Change Enablement, Problem Management, Service Desk, Service Level Management, or Continual Improvement. The question here is:

“How capable is this practice in achieving its intended purpose?”

For example, an Incident Management practice may be assessed to determine whether incidents are logged, classified, prioritized, escalated, resolved, communicated, measured, and reviewed effectively.

Maturity, on the other hand, focuses on the broader management and governance system. In ITIL 4, this was commonly expressed through the Service Value System (SVS). In ITIL Version 5, the broader terminology should be aligned to the IVS, reflecting a wider focus on digital products, services, value streams, governance, practices, continual improvement, and value creation. PeopleCert’s ITIL Foundation Version 5 page presents the IVS as bringing together guiding principles, governance, value chain activities, management practices, and continual improvement.

Therefore, for an ITIL Version 5 context, it is better to explain the distinction as follows:

- Capability assessment evaluates how well an individual practice performs.
- Maturity assessment evaluates how well the overall IVS is governed, integrated, measured, and continually improved.

Types of ITIL Maturity Model Assessments

The ITIL Maturity Model can be used in different ways depending on the organization’s objective.

A capability assessment focuses on one or more selected practices. For example, an organization may assess only Incident Management and Change Enablement to understand whether these practices are fit for purpose.

A high-level maturity assessment focuses on the maturity of the broader value system or management system, without deeply assessing all individual practices.

A comprehensive assessment combines both perspectives. It assesses multiple practices, including Continual Improvement, and also evaluates the maturity of the broader management and governance system. The official ITIL Maturity Model leaflet distinguishes between comprehensive assessment, high-level maturity assessment, and capability assessment.

Typical Maturity Progression

While the exact wording may vary across assessment materials, maturity models generally describe a progression from informal and reactive working methods to optimized and continually improving ways of working.

At a low level of maturity, work may be performed inconsistently. Activities may depend on individual knowledge, personal effort, or informal coordination. Processes may exist, but they are not consistently followed or measured.

At a moderate level of maturity, processes become documented, roles are defined, tools are used, and activities are performed in a more consistent manner. The organization begins to understand performance through reports, KPIs, reviews, and governance forums.

At a higher level of maturity, practices are integrated across teams, suppliers, tools, and value streams. Decisions are based on evidence and performance data. Continual improvement becomes a normal part of operations. Automation, analytics, knowledge management, and proactive improvement are used to increase value, reduce waste, and improve CX and UX.

Example: Incident Management

Consider Incident Management.

At a low level of capability, incidents may be handled via emails, phone calls, informal messages, or individual relationships. There may be no consistent classification, prioritization, ownership, or escalation.

At a more capable level, incidents are logged in an ITSM tool, categorized, prioritized, assigned, escalated, and resolved according to a defined process. Service level targets are monitored, and users receive communication on progress.

At a higher capability level, incident data is analyzed to identify recurring failures, automation opportunities, knowledge gaps, and improvement

actions. The practice works closely with Problem Management, Change Enablement, Knowledge Management, Service Desk, and Continual Improvement. The focus moves from simply resolving incidents to reducing business impact and improving service resilience.

The Importance of the ITIL Maturity Model

The ITIL Maturity Model is important because many organizations implement ITIL practices without knowing whether those practices are truly effective. A process may exist on paper, but it may not be consistently followed. A tool may be implemented, but the data may be incomplete. KPIs may be reported, but they may not drive decisions or improvements.

The maturity model exposes these gaps. It provides a structured basis for asking the following questions:

- Are practices defined?
- Are roles and responsibilities clear?
- Are activities performed consistently?
- Is performance measured?
- Is evidence available?
- Are improvements identified and implemented?
- Are practices integrated into value streams and governance?

This makes the model useful for governance reviews, transformation planning, continual improvement, audit readiness, service improvement programs, and executive reporting.

Practical Use in Organizations

Organizations can use the ITIL Maturity Model to establish a baseline, compare current performance with desired capability, prioritize improvement initiatives, and track improvement over time. It also helps the leadership to understand where investment is needed—whether in people, process design, technology, governance, reporting, automation, supplier coordination, or culture.

For example, an organization may discover that Change Enablement is documented but not measured, Problem Management exists, yet it is

reactive, and Continual Improvement is performed informally. Based on this assessment, the organization can define a roadmap with clear actions, owners, timelines, and expected outcomes.

The ITIL Maturity Model allows organizations to move from assumption-based service management to evidence-based improvement. It clarifies the difference between having the ITIL processes and having mature, capable, and value-driven service management. In the ITIL Version 5, this becomes even more important because organizations are not only managing IT services; they are also managing digital products, services, value streams, experiences, governance, and continual value creation through the IVS.

The Operating Model

Organizations exist to create value for their customers and stakeholders. This intent is captured in the organization's purpose, which defines what the organization does and why it exists. However, purpose alone is not sufficient; rather, it must be translated into a structured and executable form. This is achieved through the operating model, which provides a clear representation of how the organization functions to deliver value.

An Operating Model : A conceptual and/or visual representation of how an organization co-creates value with its customers and other stakeholders, as well as how the organization runs itself.

This definition highlights two critical dimensions:

- **External Focus:** How value is co-created with customers and stakeholders.
- **Internal Focus:** How the organization structures and manages its operations.

Thus, the operating model serves as the bridge between strategy and execution, ensuring that the organization's purpose is consistently translated into value outcomes.

It provides a structured view of:

- How value is created,
- How work is organized, and
- How resources and capabilities are utilized.

An organization's purpose defines:

- What the organization does,
- For whom it creates value, and
- Why it exists.

The operating model translates this purpose into practical execution, ensuring that value creation is:

- Structured,
- Repeatable, and
- Measurable.

Understanding the Role of the Operating Model

To understand and communicate how an organization fulfils its purpose, the operating model provides a structured view of value creation. It ensures that:

- Activities are aligned with organizational objectives.
- Resources are effectively utilized.
- Stakeholder interactions are coordinated.
- Value delivery is consistent and measurable.

Key Elements of the Operating Model:

- **Value Streams and Processes:** These represent the workflows through which the organization structures its value-creation activities. They define how work progresses from demand to value realization.

  Core value streams represent the heartbeat of the operating model in the ITIL Version 5. While the value chain provides the building blocks of activity and management practices deliver execution capability, it is the core value streams that orchestrate these elements into end-to-end value creation.
- **Organizations and People:** This includes:
  - Organizational structure
  - Roles and responsibilities
  - Skills and competencies

These elements ensure that the right people are engaged in delivering value.

- **Information and Technology:** This encompasses:
  - Data
  - Systems
  - Tools and platforms

  These enable the information flow and automation, supporting efficient service delivery.
- **Partners and Suppliers:** Organizations rarely operate in isolation. This element includes:
  - External vendors
  - Strategic partners
  - Supplier ecosystems

These contribute capabilities that enhance value creation.

Combined, these elements align with the Four Dimensions of Service Management, ensuring a holistic and balanced operating model.

Operating Model and Value Chain Relationship

The operating model does not function independently. It is enabled and operationalized through value chain activities.

The ITIL Product and Service Lifecycle Model includes the following activities:

- Discover
- Design
- Acquire
- Build
- Transition
- Deliver
- Operate
- Support

These activities represent the flow of value creation, transforming demand into outcomes.

The value chain provides:

- A structured sequence of activities.
- A flexible and non-linear execution model.
- A mechanism to translate strategy into operational workflows.

Within the operating model:

- Value streams are built using these activities.
- Workflows are aligned to lifecycle stages.
- Outputs from one activity become inputs to another.

Role of Management Practices

In addition to value chain activities, management practices provide the capabilities required to execute the operating model.

As described earlier in the chapter:

- Practices are organizational capabilities that combine resources, processes, and competencies.
- They ensure that work is performed effectively and consistently.

Management practices:

- Enable execution of value chain activities.
- Provide standardized methods and controls.
- Ensure governance, measurement, and continual improvement.
- Support integration across value streams.

Integrated View: Purpose → Operating Model → Value Creation

The relationship between these concepts can be understood as follows:

- **Organization's Purpose** : Defines why the organization exists.
- **Operating Model** : Defines how the organization functions.
- **Value Chain Activities** : Define how work flows.
- **Management Practices** : Define how work is performed effectively.

Together, these elements form a coherent system for value co-creation.

The operating model is not static. It evolves continuously to:

- Respond to changing stakeholder needs.
- Adapt to new technologies.
- Improve efficiency and effectiveness.

The ITIL framework supports this evolution by enabling organizations to:

- Design flexible value streams.
- Integrate practices effectively.
- Continuously improve performance.

The operating model translates an organization's purpose into actionable value creation by integrating value streams, organizational capabilities, and supporting practices. Through the structured flow of value chain activities and the disciplined execution enabled by management practices, organizations can consistently co-create value with their stakeholders.

The operating model plays a central role in the ITIL Version 5 by:

- Connecting purpose to execution.
- Structuring value creation mechanisms.
- Enabling integration across people, processes, and technology.

Supported by value chain activities and management practices, it ensures that organizations can deliver consistent, measurable, and sustainable value in dynamic environments.

To complete our understanding, we must take note of the following:

- The operating model defines how the organization works.
- Core value streams define how value is created end-to-end.
- Value chain activities define how work flows.
- Management practices define how work is executed effectively.

The ITIL Transformation Model

The ITIL Transformation Model provides structured guidance for planning, governing, executing, and sustaining major change across digital products,

services, practices, value streams, and operating models. It allows organizations to move from isolated improvement initiatives to coordinated transformation that delivers measurable value.

In ITIL Version 5, transformation is not only viewed as a one-time program. It is also a way of building organizational capability so that the enterprise becomes more adaptive, resilient, and capable of responding continually to change. PeopleCert describes the ITIL Transformation Model as practical guidance for embedding, sustaining, and optimizing change across digital products and services, with emphasis on governance, execution, continual learning, resilience, and measurable value.

Meaning of Transformation in the ITIL

Transformation refers to a significant shift in how an organization works, delivers value, governs services, uses technology, manages products, and responds to changing business needs. It may involve changes to processes, practices, roles, culture, tools, governance, suppliers, data, automation, CX, or the entire operating model.

A transformation may be triggered by many factors, such as poor service performance, digital strategy, cloud adoption, AI adoption, regulatory pressure, cost optimization, customer dissatisfaction, merger and acquisition activity, or the need to modernize legacy service management practices.

The ITIL Transformation Model ensures that such change is not handled in a fragmented or reactive manner. Instead, it provides a disciplined way to connect strategy, governance, execution, adoption, learning, and continual improvement.

Purpose of the ITIL Transformation Model

The purpose of the ITIL Transformation Model is to help organizations convert transformation intent into practical, controlled, and value-driven change.

It allows organizations to answer the following five important questions:

1. Why are we transforming?
2. What value should the transformation deliver?
3. What must change in the operating model?

4. How will transformation be governed and executed?
5. How will the change be embedded, sustained, and improved?

Without a structured model, transformation initiatives often become tool implementation projects, process documentation exercises, or short-term change programs. The ITIL encourages organizations to look beyond implementation and focus on sustained value realization.

Core Elements of the ITIL Transformation

The ITIL Transformation emphasizes the need to balance governance, execution, and continual learning. PeopleCert also positions the module around transformation execution, governance and change alignment, and value-driven transformation.

The model can be understood through four practical elements: Governance, Positioning, Execution, and Learning.

- **Governance** ensures that transformation is aligned with enterprise objectives, risk appetite, compliance requirements, funding priorities, and leadership expectations. It defines decision rights, accountability, escalation routes, performance measures, and reporting mechanisms.
- **Positioning** clarifies the transformation vision, scope, stakeholders, current-state challenges, target-state outcomes, and business case. It allows the organization to understand why transformation is needed and what success should look like.
- **Execution** converts transformation plans into coordinated workstreams, initiatives, changes, deliverables, adoption activities, and measurable outcomes. This may include practice redesign, tool configuration, automation, training, communication, data improvement, supplier alignment, and governance implementation.
- **Learning** ensures that the organization does not merely complete a transformation program but improves its ability to adapt. Lessons learned, feedback, metrics, retrospectives, performance reviews, and continual improvement actions are used to sustain benefits and refine the operating model.

Figure 9.4 is the visual expression of the model:

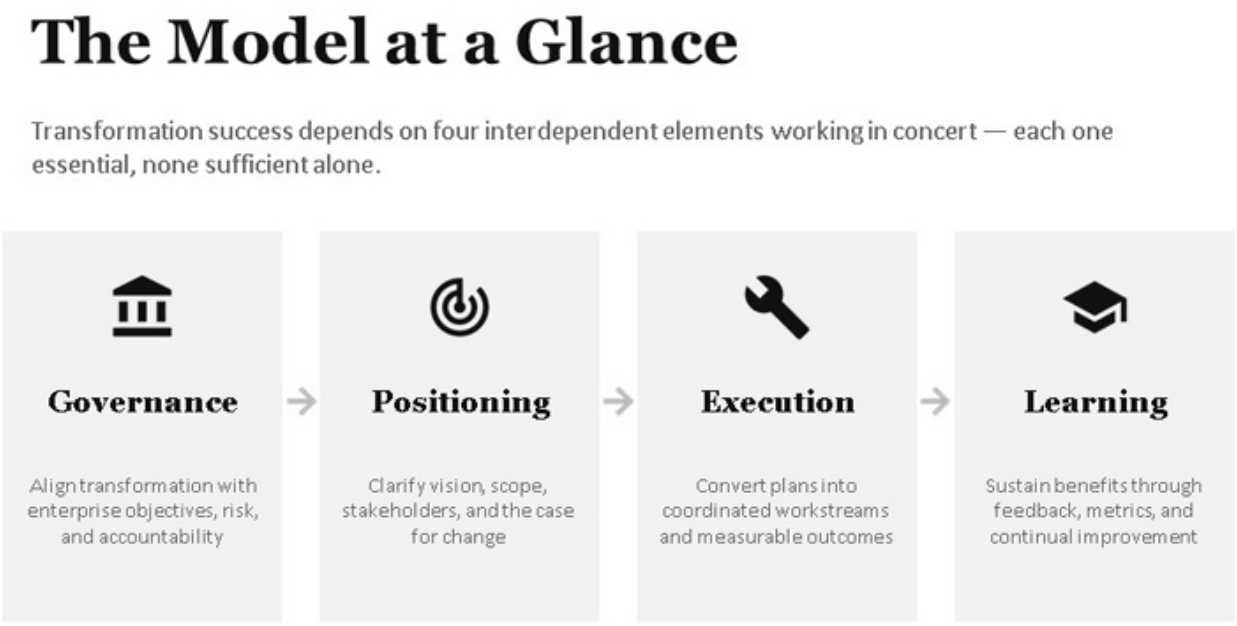

Figure 9.4: *ITIL Transformation Model at a Glance*

Transformation and the IVS

In ITIL Version 5, transformation must be understood in the context of the IVS. PeopleCert explains that the ITIL Version 5 provides guidance across the entire organization—from leadership and strategy to day-to-day operations—allowing teams to collaborate, align priorities, and create value consistently.

This means that the transformation should not be limited to one process or one tool. It should improve how the organization creates value through products, services, practices, value streams, governance, data, technology, people, partners, and continual improvement.

For example, implementing a new ITSM tool is not a transformation by itself. It becomes transformation only when it improves value streams, enables better decision-making, strengthens governance, improves UX, increases service reliability, reduces waste, and supports measurable business outcomes.

Example: Transforming Incident Management

Consider an organization where incidents are handled via emails, phone calls, informal escalation, and inconsistent ticket logging. Users complain about delays, leadership lacks reliable performance reports, and recurring incidents are not analyzed.

A weak transformation approach may introduce an ITSM tool and train users to log tickets. However, an ITIL-based transformation approach would go further.

It would define the purpose of Incident Management, redesign the incident value stream, clarify roles, establish prioritization rules, define escalation paths, integrate knowledge articles, align with Problem Management, introduce service level targets, improve communication templates, create dashboards, monitor performance, and review recurring issues.

The transformation would also address adoption. Service desk agents, resolver groups, business users, process owners, and managers would understand their responsibilities. Performance data would be reviewed regularly, and improvement actions would be tracked.

In this way, transformation changes not only the tool but also the way work is governed, performed, measured, and improved.

Common Transformation Risks

The ITIL transformation initiatives can fail when they are treated as documentation exercises, tool rollouts, or isolated process changes. Common risks include weak executive sponsorship, unclear scope, poor stakeholder engagement, inadequate communication, resistance from teams, poor data quality, unrealistic timelines, lack of governance, insufficient training, and failure to measure outcomes.

Another major risk is confusing activity completion with value realization. Completing workshops, publishing procedures, configuring workflows, or launching a portal does not automatically mean transformation has succeeded. Success must be measured through outcomes such as improved service reliability, reduced incident recurrence, faster fulfillment, better UX, stronger compliance, improved transparency, and better decision-making.

Practical Use of the ITIL Transformation Model

Organizations can use the ITIL Transformation Model to structure their transformation roadmap. A practical roadmap may include assessing the current state, defining transformation drivers, agreeing on target outcomes, designing the future operating model, prioritizing initiatives, establishing

governance, executing transformation workstreams, enabling adoption, measuring benefits, and embedding continual improvement.

This approach ensures that transformation remains value-driven, controlled, measurable, and sustainable. It also allows organizations to balance short-term improvements with long-term capability building.

The ITIL Transformation Model allows organizations to move from fragmented change to structured, governed, and value-driven transformation. It connects strategy with execution and ensures that transformation is not limited to process redesign or tool implementation. In the ITIL Version 5, transformation is closely linked to the IVS, digital products and services, governance, execution, learning, resilience, and continual improvement. The ultimate objective is not simply to complete a transformation program, but also to build an organization that can continually adapt, improve, and deliver measurable value in a changing digital environment.

Summary of How These Concepts Support Certification and Practical Implementation

The 6C model, Service Journey, ITIL Maturity Model, and Operating Model should not be studied as disconnected topics. Together, they provide a complete view of how DPSM works.

- **The 6C model** helps the organization understand the context of value creation.
- **The Service Journey** helps the organization understand how value is experienced by customers and users.
- **The ITIL Maturity Model** helps the organization assess how capable it is and where improvement is needed.
- **The Operating Model** helps the organization structure itself to deliver and improve value consistently.

Combined, these concepts allow practitioners to answer the following four essential questions:

1. What is the full context in which value must be created?
2. How do customers and users experience the service?
3. How mature and capable is the organization?

4. How should the organization operate to deliver value reliably?

This chapter has introduced five important Foundation-level concepts required for a complete understanding of the ITIL Version 5: the 6C model, the Service Journey, the ITIL Maturity Model, the ITIL Transformation Model, and the Operating Model.

The 6C model encourages a holistic understanding of customers, consumers, capabilities, costs, constraints, and continual value creation. The Service Journey shifts attention from internal process completion to the real experiences of customers and users. The ITIL Maturity Model provides a structured way to assess capability and plan improvement. The Operating Model explains how an organization arranges itself to co-create value with stakeholders.

These concepts are especially important for readers preparing for the ITIL Version 5 Foundation certification as they connect theory with practical application. They also help readers to understand how the ITIL Version 5 continues the direction established by the ITIL 4 while expanding the focus toward DPSM, integrated operating models, maturity-based improvement, and experience-led value creation.

Conclusion

This chapter has completed the broader ITIL Version 5 Foundation picture by introducing key concepts that extend service management beyond processes and workflows into integrated value creation, governance, experience, capability development, and organizational transformation. The 6C Model demonstrated how AI capabilities can be governed and embedded across the service lifecycle in a structured, value-driven manner. The Service Journey highlighted the importance of understanding services from the stakeholder's perspective, emphasizing experience, trust, and value co-creation rather than operational efficiency.

The chapter also explained how the ITIL Maturity Model enables organizations to assess their current capabilities, identify gaps, and establish structured improvement roadmaps. In addition, the Operating Model and ITIL Transformation Model illustrated how organizations can align strategy, governance, people, practices, technology, and value streams to achieve sustainable digital transformation.

Combined, these concepts reinforce a central principle of ITIL Version 5: Successful DPSM requires a holistic, experience-centric, governed, and continually improving approach to value creation. They allow readers to move from theoretical understanding to practical application, enabling better interpretation of how modern organizations design, deliver, operate, support, and transform digital services in dynamic environments.

Multiple Choice Questions

1. Which of the following best describes the primary purpose of the ITIL AI Capability Model (6C Model)?
    a. To replace all ITIL management practices with AI-based automation
    b. To provide a structured approach for embedding AI capabilities into service management
    c. To eliminate the need for governance in AI-enabled services
    d. To focus only on AI tool implementation within IT operations
2. In the ITIL Service Journey, which stage focuses on evaluating outcomes and identifying improvement opportunities?
    a. Offer
    b. Agree
    c. Reflect
    d. Onboard
3. What is the key difference between practice capability assessment and organizational maturity assessment in ITIL Version 5?
    a. Capability assessment focuses on technology, while maturity focuses only on people
    b. Capability assessment evaluates individual practices, while maturity assessment evaluates the broader ITIL Value System (IVS)
    c. Capability assessment is mandatory, while maturity assessment is optional

d. Capability assessment applies only to suppliers, while maturity assessment applies to customers

4. Which of the following best explains the role of an operating model in the ITIL Version 5?
    a. It defines only the organizational hierarchy and reporting structure.
    b. It replaces value streams and management practices.
    c. It translates organizational purpose into structured and measurable value creation.
    d. It focuses exclusively on technology platforms and automation tools.
5. According to the ITIL Transformation Model, which element ensures that transformation initiatives remain aligned with organizational objectives, governance, and accountability
    a. Execution
    b. Learning
    c. Positioning
    d. Governance

Answers

1. b
2. c
3. b
4. c
5. d

Questions

1. Explain the significance of the 6C Model in enabling AI-driven Digital Product and Service Management (DPSM) within the ITIL Version 5.
2. Describe how the capabilities of Creation, Cognition, and Curation work together to support continual value creation in AI-enabled

services.

3. Discuss the differences between the ITIL 4 Service Value Chain and the ITIL Version 5 lifecycle-oriented value chain activities.
4. Explain the concept of the Service Journey and describe how it differs from a traditional process flow.
5. Discuss the importance of Customer Experience (CX), User Experience (UX), and trust in modern digital service management.
6. Describe the seven stages of the Service Journey and explain how they support value co-creation between service providers and service consumers.
7. Explain the difference between practice capability assessment and organizational maturity assessment in the ITIL Maturity Model.
8. Discuss how the ITIL Maturity Model helps organizations move from reactive service management to evidence-based continual improvement.
9. Explain the relationship between the operating model, value streams, value chain activities, and management practices in ITIL Version 5.
10. Discuss how the ITIL Transformation Model supports organizations in planning, governing, executing, and sustaining digital transformation initiatives.

Key Terms

- **6C Model:** A structured ITIL Version 5 AI capability model consisting of Creation, Coordination, Communication, Cognition, Clarification, and Curation.
- **AI Governance:** A system of policies, controls, oversight, and accountability that ensures AI is used ethically, securely, and effectively.
- **Service Journey:** The complete sequence of interactions and experiences between a service provider and service consumer over time.
- **Value Co-Creation:** A collaborative approach where providers and consumers jointly create value through products and services.

- **Customer Experience (CX):** The overall perception a customer forms through all interactions with a service provider.
- **User Experience (UX):** The usability, accessibility, and interaction quality experienced by users while consuming a service.
- **ITIL Maturity Model:** A structured assessment approach used to evaluate service management capability, governance, and continual improvement maturity.
- **Operating Model:** A representation of how an organization structures its people, processes, technology, and value streams to create value.
- **Value Stream:** A sequence of activities that transforms demand into valuable outcomes for stakeholders.
- **ITIL Transformation Model:** A structured framework that guides organizations in governing, executing, and sustaining digital transformation initiatives.

CHAPTER 10

Outline of the Certification Journey

Introduction

This chapter will provide a structured overview of the Information Technology Infrastructure Library (ITIL) Version 5 certification pathway, guiding readers through the progression from the Foundation level to advanced qualifications. It will explain how the certification framework is designed to build competency progressively, ensuring both the conceptual understanding and practical application of Digital Product and Service Management (DPSM) principles.

The chapter will begin by introducing the purpose of the ITIL certification and its relevance in today's digital economy. It will highlight how certification validates professional knowledge, strengthens organizational credibility, and supports career advancement in service management and digital leadership roles.

An overview of the ITIL Version 5 certification structure is provided, clarifying prerequisite relationships between levels and explaining how the Foundation qualification serves as the entry point. The chapter will outline higher-level streams, specialization tracks, and strategic-level certifications, allowing readers to understand potential career pathways aligned to roles such as practitioner, manager, strategist, and leader.

The examination structure will be explained in detail, including question formats, scoring methodology, Bloom's taxonomy levels, and pass criteria. Readers will be introduced to exam preparation strategies, study planning approaches, and recommended practices for mastering both recall-based and comprehension-based questions.

The chapter will also emphasize the importance of integrating practical experience with certification preparation. It will encourage readers to connect theoretical knowledge with real-world service management scenarios, reinforcing long-term retention and application.

By the end of this chapter, readers will have clarity on how to approach their certification journey with confidence, understanding not only what to study, but also how to strategically prepare and position themselves for success.

Structure

In this chapter, we will cover the following topics:

- Purpose and Value of the ITIL Certification
- Overview of the ITIL Version 5 Certification Structure
- Foundation Level Qualification
- Advanced and Specialized Certification Pathways
- Role-based Certification Progression
- Examination Structure and Scoring
- Bloom's Taxonomy Levels in the Exam
- Question Types and Assessment Patterns
- Study Planning and Preparation Strategies
- Linking Certification to Career Development
- Practical Application and Continuous Learning

Purpose and Value of the ITIL Certification

In the evolving landscape of DPSM, professional credibility is no longer established solely through experience; it must be complemented by validated knowledge and structured understanding. The ITIL certification serves this exact purpose. It provides a globally recognized benchmark that confirms an individual's capability to understand, apply, and adapt service management principles in complex digital environments.

At its core, the purpose of ITIL certification is to create a standardized foundation of knowledge that aligns professionals, organizations, and ecosystems around a common language and set of practices. In environments where digital services span multiple teams, geographies, and partners, this shared understanding becomes critical. The ITIL certification ensures that professionals are not only familiar with the concepts, but they are also capable of contributing to value co-creation consistently and measurably.

One of the primary values of the ITIL certification lies in its ability to validate competence. Unlike informal learning, certification demonstrates that the individual has achieved a defined level of proficiency aligned with the ITIL framework. This validation is particularly important in ITIL 4 and equally relevant in ITIL Version 5, where the focus expands from traditional service management to integrated DPSM. Certification assures employers and stakeholders that the certified professional can operate effectively within this modern paradigm.

From an organizational perspective, the ITIL certification contributes directly to improved service performance and governance. When teams are trained and certified in ITIL practices, organizations benefit from greater consistency in processes, better alignment with business objectives, and enhanced ability to manage risks, costs, and outcomes. Certified professionals bring structured thinking, enabling organizations to transition from reactive operations to proactive and value-driven service delivery. This aligns strongly with the principles established in ITIL4, particularly around value co-creation, continual improvement, and holistic management.

Another significant value of ITIL certification is its impact on career progression. In today's competitive job market, certifications act as differentiators. ITIL certification enhances employability by demonstrating not only technical understanding but also strategic awareness of service management. Professionals with ITIL credentials are often better positioned for roles such as service managers, product owners, digital transformation leaders, and IT governance specialists. The structured certification pathway —from Foundation to advanced levels—also provides a clear roadmap for continuous professional development.

In addition to career advancement, the ITIL certification supports adaptability in a rapidly changing technological landscape. As organizations increasingly adopt cloud computing, DevOps practices, automation, and AI-driven service management, the ability to integrate these capabilities within a structured framework becomes essential. ITIL Version 5 builds upon the foundations of ITIL 4 by incorporating these emerging trends into a cohesive management approach. Certification equips professionals with the mindset and knowledge required to navigate this complexity, ensuring they remain relevant in an environment of continuous change.

The value of the ITIL certification also extends to improving communication and collaboration across organizational boundaries. In many enterprises, service delivery involves multiple stakeholders, including internal teams, external vendors, and strategic partners. ITIL provides a common vocabulary and conceptual framework that facilitates clearer communication, reduces ambiguity, and enhances coordination. Certified professionals act as enablers of this alignment, bridging gaps between technical and business stakeholders.

Furthermore, the ITIL certification reinforces the importance of continual improvement. Rather than treating service management as a static discipline, ITIL emphasizes ongoing evaluation and enhancement of services, processes, and value streams. Certified individuals are trained to think in terms of feedback loops, metrics, and iterative optimization. This mindset is crucial for organizations striving to achieve operational excellence and sustained competitive advantage.

Another critical dimension of ITIL certification is its global recognition. ITIL has long been established as one of the most widely adopted frameworks for service management, and this recognition continues with ITIL Version 5. Certification provides portability of skills, allowing professionals to work across industries, regions, and organizational contexts. Whether in finance, healthcare, telecommunications, or government, the principles of ITIL remain applicable, making certification a versatile and valuable credential.

It is also important to recognize that ITIL certification is not merely about passing an examination. Its true purpose lies in enabling practical application. The certification journey encourages professionals to connect theoretical concepts with real-world scenarios, ensuring that knowledge translates into actionable capability. This alignment between theory and practice is essential for realizing the full value of ITIL within an organization.

The purpose of ITIL certification is to establish a validated, standardized, and practical understanding of service management in the context of modern digital enterprises. Its value is multifaceted—enhancing individual careers, strengthening organizational capabilities, enabling effective collaboration, and supporting continuous adaptation to technological change. As organizations increasingly rely on digital products and services to drive

business outcomes, ITIL certification remains a critical enabler of both professional excellence and organizational success.

Overview of the ITIL Version 5 Certification Structure

The ITIL Version 5 certification structure is designed as a progressive and modular framework that enables professionals to develop competence in DPSM in a structured, role-aligned manner. Unlike traditional certification models that focus primarily on knowledge acquisition, ITIL Version 5 emphasizes capability development, practical application, and alignment with modern digital operating models. The structure reflects an evolution from ITIL 4, retaining its core philosophy while expanding to address emerging needs, such as product-centric delivery, value stream integration, and AI-enabled service management. *Figure 10.1* describes the certification pathway:

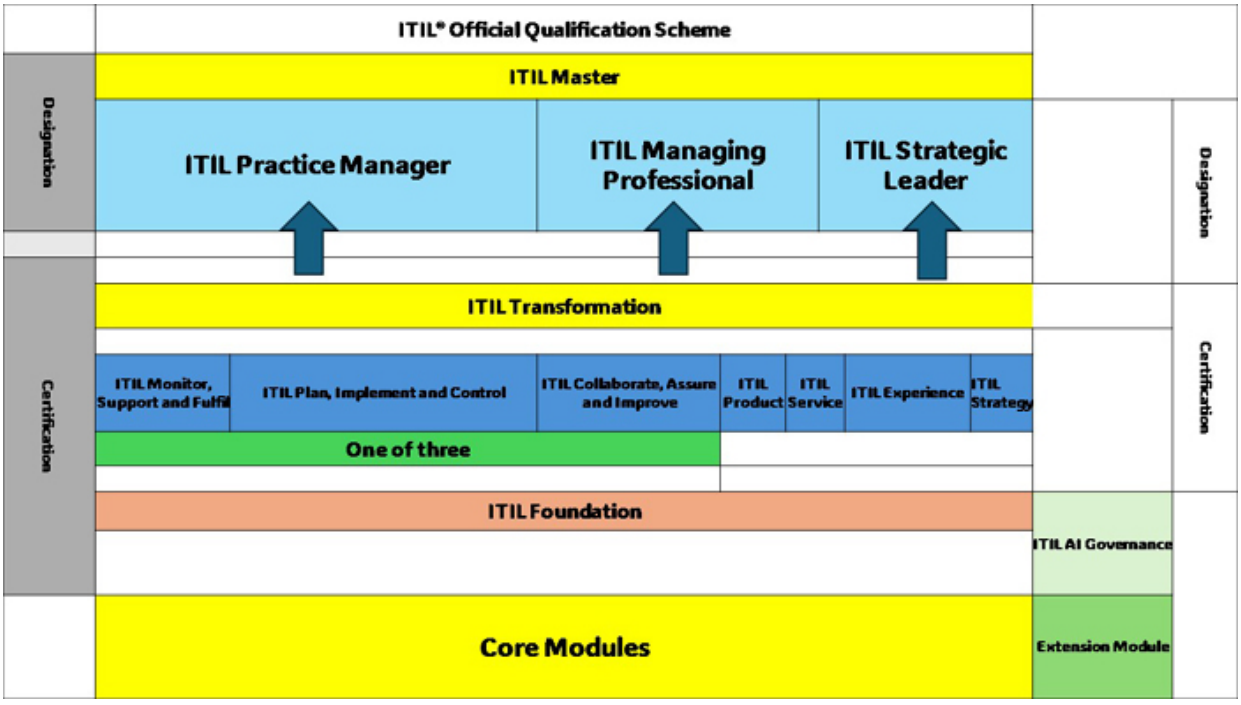

Figure 10.1: *ITIL Certification Pathway*

At the foundation of the certification scheme lies the ITIL Foundation (Version 5) qualification, which serves as the universal entry point into the ITIL ecosystem. As illustrated in the official certification scheme (page 1 of

the provided document), this level is the only mandatory prerequisite for all core certification pathways. It introduces candidates to key concepts, terminology, guiding principles, and the overall structure of the ITIL framework. The Foundation level establishes a common language and baseline understanding, ensuring consistency across roles, teams, and organizations.

Beyond the Foundation level, the certification structure branches into multiple specialized, role-oriented pathways, enabling professionals to tailor their learning journey according to their career aspirations and organizational responsibilities. The structure is not strictly linear (note that the ITIL Transformation is part of all three paths, making it sort of a capstone), but it is designed to be flexible, allowing candidates to pursue modules based on relevance while following a recommended progression.

One of the primary streams within the ITIL Version 5 certification structure is the **Practice Manager track** . This track is obviously related to the practices and the Practice Guides. Currently, it is the ITIL 4 Practice Guides that form the basis for these qualifications. Plans are to update all Practice Guides, if relevant, during 2026 with a focus on updates related to Artificial Intelligence (AI). No recertification will be needed. This pathway focuses on operational excellence and the practical implementation of service management capabilities. According to the certification scheme, the ITIL Practice Manager designation can be achieved by completing the Foundation certification along with one of the following practice-oriented modules: *Monitor, Support and Fulfil* , *Plan, Implement and Control* , or *Collaborate, Assure and Improve* , in addition to the ITIL Transformation module. This track is particularly relevant for professionals involved in day-to-day service operations, process optimization, and performance management.

Another significant pathway is the **Managing Professional track** (*N* ote that there is a Managing Professional Transition bridging from ITIL 4 MP to ITIL Version 5 MP (or ITIL V3 Expert *).* It will also bridge to the Practice Manager and Strategic Leader if you have those in addition to MP. By doing this, the Managing Professional Transition will also bridge from ITIL 4 Master to ITIL Version 5 Master), which is designed for individuals responsible for end-to-end service delivery and product lifecycle management. This stream emphasizes the integration of multiple capabilities required to manage digital products and services holistically. As outlined in the certification scheme (page 2), the ITIL Managing Professional

designation is awarded upon the completion of modules such as *ITIL Product* , *ITIL Service* , *ITIL Experience* , along with the ITIL Transformation certification. This pathway aligns closely with roles such as service managers, product managers, and delivery leads, where coordination across value streams and stakeholder ecosystems is critical.

The **Strategic Leader track** represents the strategic dimension of the ITIL framework. It is aimed at professionals involved in shaping organizational direction, governance, and long-term digital strategy. This designation requires completion of the ITIL Foundation, followed by certifications in *ITIL Strategy* and *ITIL Transformation* . The focus here extends beyond operational efficiency to include business alignment, innovation, and the creation of sustainable value through digital capabilities. This track is particularly relevant for senior leaders, executives, and transformation consultants.

A distinctive feature of the ITIL Version 5 certification structure is the central role of the **ITIL Transformation module** . As highlighted in the official scheme, this module acts as a unifying element across multiple pathways which can be pursued immediately after the Foundation level (While the recommendation from the author is to perform ITIL Product or ITIL Service before Transformation). It reflects the increasing importance of organizational change, digital transformation, and value stream optimization in modern enterprises. By integrating transformation as a core component, ITIL Version 5 ensures that the certification is not limited to static knowledge but rather extends to dynamic organizational capability.

At the highest level of the certification hierarchy lies the **ITIL Master designation** , which represents the pinnacle of professional achievement within the ITIL framework. This designation is awarded to individuals who have successfully achieved the Practice Manager, Managing Professional, and Strategic Leader designations. It signifies a comprehensive mastery of ITIL principles across operational, tactical, and strategic domains. ITIL Master-certified professionals are expected to demonstrate not only deep knowledge but also the ability to apply ITIL concepts effectively in complex, real-world scenarios.

In addition to the core pathways, ITIL Version 5 introduces **extension modules** , such as *ITIL AI Governance (* Note that currently AI Governance is the only extension module announced. It is expected to be released in Q2

2026, probably mid-June), which can be pursued independently and do not require the Foundation certification as a prerequisite. This reflects the framework's adaptability to emerging technologies and evolving industry demands. By incorporating such extensions, ITIL ensures that the professionals remain equipped to address contemporary challenges, including AI-driven decision-making and governance.

Another important aspect of the certification structure is its emphasis on **flexibility and modular progression** . While recommended learning paths are provided, candidates have the freedom to choose modules based on their roles and career objectives. This approach recognizes the diverse nature of modern IT and digital roles, where professionals may specialize in operations, strategy, governance, or transformation.

Furthermore, the ITIL Version 5 certification structure is closely aligned with **real-world roles and responsibilities** . Each pathway corresponds to specific professional profiles—ranging from operational practitioners to strategic leaders—ensuring that certification is not merely academic but directly relevant to workplace performance. This alignment enhances the practical value of certification and supports organizations in building capability across different layers of the enterprise.

The ITIL Version 5 certification structure represents a comprehensive, flexible, and role-driven framework for professional development in DPSM. Anchored by the Foundation level and extending through specialized pathways such as Practice Manager, Managing Professional, and Strategic Leader, the structure enables progressive learning and capability building. With the inclusion of transformation-focused modules and emerging technology extensions, it reflects the realities of modern digital organizations while maintaining continuity with the foundational principles established in ITIL 4.

Foundation Level Qualification

The ITIL Foundation (Version 5) qualification serves as the entry point into the ITIL certification ecosystem and establishes the essential knowledge base required for all further progression. It is not merely an introductory certification but rather a critical enabler that builds the conceptual and practical grounding that is necessary to understand DPSM in a structured and consistent manner.

As defined in the official certification scheme, the ITIL Foundation qualification is the only mandatory prerequisite across all core certification pathways. This highlights its central role within the ITIL framework. Regardless of whether a professional intends to specialize in operational practices, service delivery, or strategic leadership, the Foundation level ensures that all candidates begin with a unified understanding of the ITIL principles, terminology, and models.

The primary purpose of the Foundation qualification is to introduce candidates to the core concepts and architecture of ITIL Version 5. This includes an understanding of value co-creation, service relationships, the ITIL Value System, guiding principles, and the integrated nature of product and service lifecycle management. Building upon the legacy of ITIL 4, the Foundation level also incorporates modern perspectives such as value stream thinking, experience-centric design, and the role of automation and AI in service management.

A key strength of the Foundation qualification lies in its broad applicability across roles and industries. It is designed for a diverse audience, including students, early-career professionals, experienced practitioners transitioning into service management roles, and even business stakeholders who interact with digital services. By focusing on fundamental concepts rather than deep specialization, the certification ensures accessibility while maintaining relevance in real-world scenarios.

From a learning perspective, the Foundation level emphasizes conceptual clarity and structured thinking. Candidates are expected to understand not only definitions but also the relationships between key concepts. For example, the interplay between value, outcomes, costs, and risks; the integration of the four dimensions; and the alignment between governance, practices, and continual improvement. This holistic understanding prepares candidates to think in terms of systems rather than isolated processes.

Another important objective of the Foundation qualification is to establish a common language across the organization. In complex digital environments, misalignment often arises due to differences in terminology and interpretation. The ITIL Foundation eliminates this challenge by standardizing how professionals describe services, products, value streams, and operational activities. This shared vocabulary significantly improves

communication, collaboration, and decision-making across teams and stakeholders.

The Foundation qualification also plays a crucial role in bridging theory and practice. While the certification focuses on foundational knowledge, it is designed to be highly practical in orientation. Candidates are encouraged to relate concepts to real-world scenarios to understand how ITIL principles can be applied within their own organizational context. This approach ensures that learning is not abstract but rather directly relevant to professional responsibilities.

In terms of examination, the Foundation level typically assesses a candidate's ability to recall, understand, and interpret key concepts. The focus is on building a strong cognitive base, aligned with the lower to mid-levels of Bloom's taxonomy, such as knowledge and comprehension. *Figure 10.2* visually describes Bloom's Taxonomy:

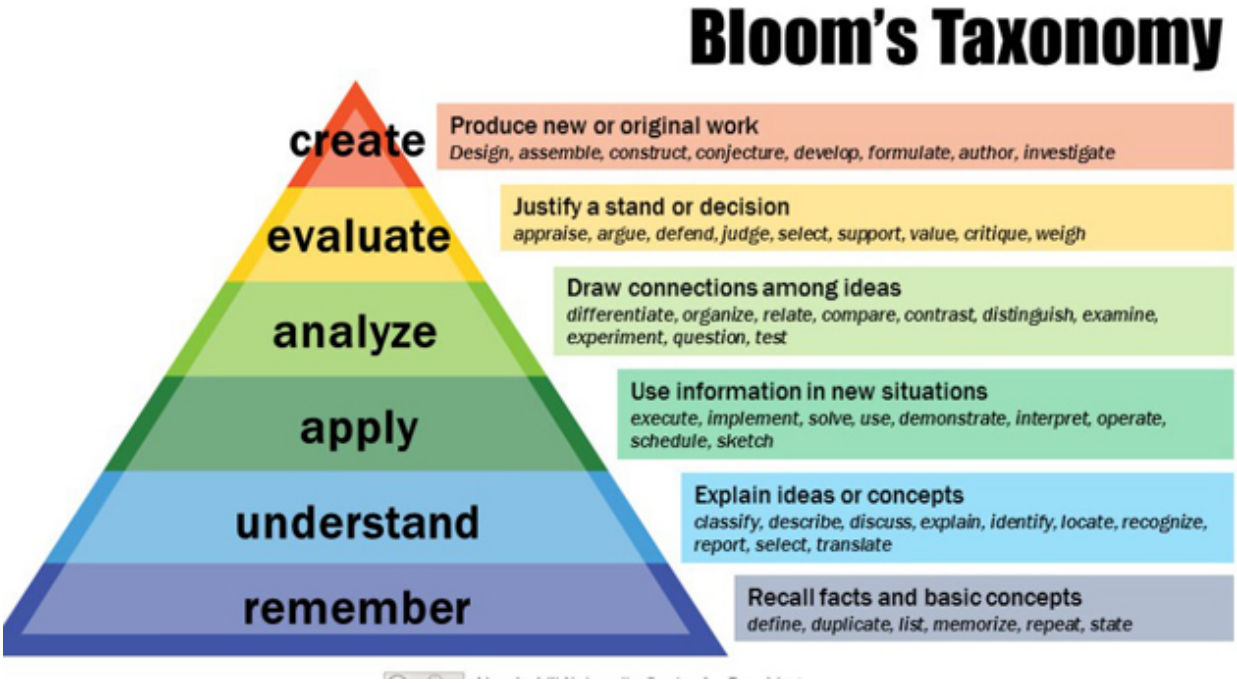

Figure 10.2: *Bloom's Taxonomy*

This ensures that candidates are well-prepared to progress into more advanced certifications, where application, analysis, and evaluation become increasingly important.

An important feature of the ITIL Version 5 Foundation qualification is its position as a gateway to multiple career pathways. Upon completion,

candidates can choose to progress into specialized tracks such as Practice Manager, Managing Professional, or Strategic Leader, depending on their career goals. Additionally, as indicated in the certification scheme, certain modules, such as the ITIL Transformation, can be pursued immediately after Foundation, providing flexibility in how individuals plan their certification journey.

The Foundation certification also delivers immediate professional value, even without further progression. It equips individuals with the ability to understand service management concepts, contribute effectively to IT and business discussions, and support initiatives related to process improvement, service quality, and Customer Experience (CX). For many professionals, this certification acts as a catalyst for transitioning into more structured and value-driven roles within their organizations.

From an organizational standpoint, having employees certified at the Foundation level contributes to greater alignment, efficiency, and service quality. Teams with a shared understanding of ITIL principles are better positioned to adopt standardized practices, optimize workflows, and deliver consistent outcomes. This creates a strong foundation for scaling service management capabilities across the enterprise.

The ITIL Foundation (Version 5) qualification is far more than an introductory certification—it is the cornerstone of the entire ITIL certification framework (Note that there is a Foundation Bridge module transitioning from ITIL4 Foundation to ITIL Version 5 Foundation). It establishes the essential knowledge, mindset, and vocabulary required to navigate the complexities of modern digital service environments. By providing a structured and universally recognized starting point, it enables both individuals and organizations to embark on a meaningful and progressive journey toward service excellence and digital transformation.

Advanced and Specialized Certification Pathways

Building upon the foundational knowledge established at the ITIL Foundation level, the ITIL Version 5 certification framework offers a set of advanced, specialized certification pathways designed to develop deeper expertise, role-specific capabilities, and strategic insight. These pathways reflect the evolving demands of DPSM, where professionals are expected

not only to understand concepts but also to apply them across operational, tactical, and strategic domains.

Unlike a rigid and linear certification model, ITIL Version 5 introduces a modular and flexible progression structure, allowing candidates to specialize based on their professional roles, responsibilities, and career aspirations. This approach ensures that learning remains relevant and aligned with real-world organizational needs while maintaining a cohesive framework rooted in ITIL principles.

At the core of the advanced certification structure are three primary pathways: Practice Manager, Managing Professional, and Strategic Leader. Each pathway represents a distinct perspective of service management, collectively covering the full spectrum of capabilities required in modern digital enterprises.

Practice Manager Pathway: Operational Excellence and Capability Development

The Practice Manager pathway is designed for professionals who are directly involved in the execution, management, and optimization of service management practices. This pathway emphasizes operational control, process effectiveness, and the consistent delivery of high-quality services.

As outlined in the official certification scheme, candidates can achieve the ITIL Practice Manager designation by completing the Foundation certification along with one of the specialized practice group modules—*Monitor, Support and Fulfil* , *Plan, Implement and Control* , or *Collaborate, Assure and Improve* —in addition to the ITIL Transformation module. These modules are structured around logical groupings of practices, enabling professionals to build targeted expertise in specific operational domains.

This pathway is particularly valuable for roles such as service desk managers, operations leads, process owners, and quality managers. It equips professionals with the tools and knowledge required to manage performance, ensure service reliability, and drive continual improvement at the execution level.

The Managing Professional Pathway: End-to-End Service and Product Management

The Managing Professional pathway focuses on the holistic management of digital products and services across their lifecycle. It is designed for individuals responsible for delivering value through coordinated activities that span multiple teams, technologies, and value streams.

According to the certification scheme, the ITIL Managing Professional designation is achieved by completing modules such as *ITIL Product* , *ITIL Service* , and *ITIL Experience* , along with the ITIL Transformation certification. (Alternatively, there is a *Managing Professional Bridge* module transitioning from ITIL 4 Managing Professional to ITIL Version 5 Managing Professional.) This combination reflects a comprehensive capability set that includes product management, service delivery, and experience optimization.

This pathway aligns closely with roles such as product managers, service delivery managers, program managers, and digital operations leaders. It emphasizes the integration of value streams, stakeholder engagement, and outcome-based delivery. Professionals in this track are expected to manage complexity, balance competing priorities, and ensure that services and products consistently meet business and customer expectations.

Strategic Leader Pathway: Business Alignment and Digital Strategy

The Strategic Leader pathway represents the highest level of strategic thinking within the ITIL certification framework. It is intended for professionals who are responsible for shaping organizational direction, aligning IT with business objectives, and driving digital transformation initiatives.

As defined in the certification scheme, this designation requires completion of the ITIL Foundation, followed by certifications in *ITIL Strategy* and *ITIL Transformation* . This pathway focuses on governance, decision-making, innovation, and the long-term sustainability of digital capabilities.

Professionals pursuing this track typically occupy senior roles such as CIOs, CTOs, transformation leaders, and enterprise architects. The pathway equips

them with the knowledge required to navigate complex business environments, leverage emerging technologies, and create value through strategic alignment and organizational change.

The Central Role of the ITIL Transformation

A defining characteristic of the ITIL Version 5 certification structure is the central role of the ITIL Transformation module. This module acts as a common thread across multiple pathways, reinforcing the importance of change management, value stream optimization, and organizational agility.

As highlighted in the official scheme, ITIL Transformation can be pursued immediately after the Foundation level, which is a required component for achieving several advanced designations. Its inclusion underscores the shift from traditional service management to a more dynamic, transformation-driven approach that aligns with modern digital enterprises.

Extension Modules and Emerging Specializations

In addition to the core pathways, the ITIL Version 5 introduces extension modules that address emerging domains such as AI governance. Notably, modules such as *ITIL AI Governance* can be pursued independently and do not require the Foundation certification as a prerequisite.

This flexibility reflects ITIL's commitment to staying relevant in a rapidly evolving technological landscape. By incorporating specialized topics, the framework enables professionals to expand their expertise into areas that are increasingly critical for organizational success.

A Flexible and Role-aligned Learning Journey

One of the most significant advantages of the advanced and specialized certification pathways is their flexibility. While recommended learning paths are provided, candidates are not constrained by a fixed sequence. Instead, they can choose modules that align with their current roles or future aspirations.

This role-based alignment ensures that the certification is not pursued in isolation, but rather it is directly connected to professional growth and organizational contribution. Whether an individual is focused on operational

efficiency, service delivery excellence, or strategic leadership, the ITIL Version 5 framework provides a clear and structured pathway to develop the required competencies.

Enabling Progressive Capability Development

The advanced certification pathways collectively enable progressive capability development. Starting from foundational knowledge, professionals can gradually build expertise across different dimensions of service management—operations, integration, and strategy. This progression mirrors the real-world journey of professionals as they move from execution-focused roles to leadership positions.

Furthermore, the structure supports continuous learning, encouraging professionals to expand their knowledge over time rather than treating certification as a one-time achievement. This aligns with the ITIL philosophy of continual improvement and lifelong learning.

The advanced and specialized certification pathways in ITIL Version 5 provide a comprehensive and flexible framework for developing expertise in DPSM. By offering distinct yet interconnected tracks—Practice Manager, Managing Professional, and Strategic Leader—the framework ensures that professionals can align their certification journey with their career goals while contributing effectively to organizational success.

Role-based Certification Progression

One of the most distinctive and practical aspects of the ITIL Version 5 certification framework is its role-based certification progression. Unlike traditional certification models that follow a purely linear or hierarchical path, ITIL Version 5 is intentionally designed to align with real-world roles and responsibilities within modern digital organizations. This ensures that the certification is not pursued as an abstract academic exercise but rather as a meaningful journey that directly enhances professional effectiveness and organizational contribution.

At its core, role-based progression recognizes that service management is not a one-dimensional discipline. Modern enterprises require a diverse set of capabilities—ranging from operational execution to strategic leadership—and ITIL Version 5 addresses this by structuring certification pathways

around distinct role profiles. These profiles broadly correspond to three key perspectives: Operational practitioners, service and product managers, and strategic leaders.

Aligning Certification with Professional Roles

The role-based model ensures that individuals can select certification pathways that reflect their current job roles or future career aspirations. For example, professionals working in service operations, incident management, or process execution naturally align with the Practice Manager pathway, where the focus is operational efficiency and practice-level excellence.

Similarly, individuals responsible for managing end-to-end services, coordinating value streams, or delivering customer outcomes align with the Managing Professional pathway. This progression enables them to develop a broader and integrated understanding of product and service lifecycle management.

For senior professionals involved in governance, business alignment, and digital transformation, the Strategic Leader pathway provides the appropriate progression. This ensures that leadership roles are supported by certifications that emphasize strategy, innovation, and long-term value creation.

By structuring certification around these roles, ITIL Version 5 ensures that learning remains contextual, relevant, and immediately applicable.

Progressive Capability Development across Roles

Role-based certification progression is not static; rather, it supports career evolution over time. Professionals often begin their journey in operational roles and gradually move toward managerial and strategic positions. The ITIL certification structure mirrors this natural progression.

A typical journey may begin with the ITIL Foundation qualification, followed by specialization in operational practices through the Practice Manager pathway. As professionals gain experience, they may transition into roles that require managing services or products end-to-end, leading them toward the Managing Professional track. Eventually, with increased responsibility and organizational influence, they may progress into strategic roles supported by the Strategic Leader pathway.

This progression reflects a shift from:

- Execution → Coordination → Strategy
- Process focus → Value stream integration → Business alignment

Such a structured evolution ensures that the certification remains aligned with both individual growth and organizational maturity.

Flexibility in Learning Pathways

A key strength of the ITIL Version 5 role-based progression model is its flexibility. While recommended pathways exist, professionals are not restricted to a single track. Depending on their role, experience, or organizational needs, candidates can pursue certifications across different pathways.

For example, a professional may begin in an operational role, but simultaneously develop strategic capabilities by pursuing modules from the Strategic Leader track. Similarly, a manager responsible for both operations and transformation initiatives may combine elements from the Practice Manager and Managing Professional pathways.

This flexibility is reinforced by the modular structure of the certification scheme, allowing individuals to customize their learning journey without losing coherence within the overall framework.

Integration through the ITIL Transformation Module

An important enabler of role-based progression is the ITIL Transformation module, which acts as a unifying component across multiple pathways. As highlighted in the certification scheme, this module is required for several advanced designations and can be pursued immediately after the Foundation level.

The inclusion of transformation as a core element ensures that, regardless of role, professionals develop an understanding of organizational change, value stream optimization, and digital transformation. This creates a common thread across roles, enabling better collaboration and alignment within the enterprise.

Supporting Organizational Capability Building

Role-based certification progression is not only beneficial for individuals but also for organizations. By aligning certifications with roles, organizations can systematically build capabilities across different layers of the enterprise.

For instance:

- Operational teams can focus on practice-level certifications to improve service reliability and efficiency.
- Management teams can pursue certifications that enhance coordination, delivery, and CX.
- Leadership teams can develop strategic capabilities to drive transformation and innovation.

This structured capability development ensures that ITIL is not implemented in silos, but rather it is cohesively embedded across the organization.

Enhancing Career Clarity and Direction

Another important value of role-based progression is the clarity it provides to professionals. Instead of navigating a complex and ambiguous certification landscape, individuals are guided by clearly defined pathways that correspond to their roles.

This clarity allows professionals to:

- Identify the certifications most relevant to their career goals.
- Understand the skills and competencies required at each stage.
- Plan their learning journey in a structured and purposeful way.

As a result, certification becomes a strategic investment in career development rather than a disconnected series of qualifications.

Enabling Continuous Learning and Adaptation

In line with the principles of ITIL4 and extended in ITIL Version 5, role-based progression supports a culture of continuous learning and improvement. As roles evolve and new technologies emerge, professionals can expand their capabilities by exploring additional modules or transitioning into new pathways.

The inclusion of extension modules, such as those focused on AI governance, further enhances this adaptability, allowing professionals to stay relevant in a rapidly changing digital environment.

A Cohesive yet Adaptive Framework

Ultimately, role-based certification progression in ITIL Version 5 strikes a balance between structure and flexibility. It provides a clear framework for professional development while allowing individuals to adapt their journey based on changing roles, organizational priorities, and industry trends.

It ensures that certification is not pursued in isolation, but rather it is deeply connected to real-world responsibilities, career growth, and business outcomes.

The role-based certification progression model in ITIL Version 5 transforms the certification journey into a meaningful and practical pathway for professional development. By aligning learning with roles, enabling flexible progression, and supporting continuous capability building, it ensures that the ITIL certification remains relevant, impactful, and closely tied to the realities of modern digital organizations.

Examination Structure and Scoring

The ITIL Version 5 Foundation examination is designed to assess a candidate's understanding of core concepts, terminology, and principles of DPSM. Unlike advanced certifications that evaluate application and analysis, the Foundation exam focuses on ensuring that the candidates possess a strong conceptual base, which serves as the prerequisite for higher-level qualifications.

Overall Examination Structure

The ITIL Foundation (Version 5) examination follows a standardized and objective assessment format. As outlined in the official syllabus (page 3), the exam consists of:

- 40 multiple choice questions, each carrying one mark.
- A total of 40 marks, with no negative marking.
- A pass mark of 26 correct answers (65%).

- A duration of 60 minutes, extended to 75 minutes for non-native language candidates.

The exam is conducted as a closed-book assessment, meaning that no reference materials are allowed during the examination. This reinforces the expectation that candidates must internalize and understand the concepts rather than rely on external aids.

The structure reflects a balanced approach—testing both knowledge recall and conceptual understanding, rather than memorization alone.

Nature of Questions and Assessment Approach

All questions in the ITIL Foundation exam are classified as Objective Test Questions (OTQs). These questions are designed to evaluate clarity of understanding while minimizing ambiguity. As described in the syllabus (pages 3–4), the exam includes the following question formats:

- **Standard multiple-choice questions** with one correct answer out of four options.
- **Negative questions** , where candidates identify the incorrect statement.
- **Missing word(s) questions** , requiring completion of a statement.
- **List-based questions** , where two correct options must be selected from a set of four.

This variety ensures that candidates are tested across different cognitive dimensions, including recognition, interpretation, and contextual understanding. The inclusion of plausible distractors (incorrect options) further enhances the rigor of the assessment by requiring careful analysis rather than guesswork.

Alignment with Bloom's Taxonomy

A defining characteristic of the ITIL Foundation examination is its alignment with Bloom's Taxonomy, specifically Level 1 (Remember) and Level 2 (Understanding). As stated in the syllabus (page 3), candidates are expected to:

- Recall key definitions, terms, and concepts (Level 1).

- Demonstrate understanding of relationships and principles (Level 2).

This means that the examination does not require deeper analytical or evaluative skills at this stage. Instead, it ensures that candidates can confidently explain concepts such as value co-creation, service relationships, the ITIL Value System, and lifecycle activities.

This approach is consistent with ITIL4 and continues in ITIL Version 5, where foundational knowledge is treated as a prerequisite for higher-order learning in advanced certifications.

Distribution of Marks across Syllabus Areas

The examination is carefully structured to reflect the relative importance of different topics within the ITIL framework. According to the exam specification (page 11), the weighting is distributed as follows:

- ITIL Value System: 40%
- Key ITIL terms and definitions: 30%
- ITIL Four Dimensions: 10%
- ITIL Product and Service Lifecycle: 10%
- Value Stream Mapping and Management: 5%
- ITIL and AI: 2.5%
- ITIL and other frameworks: 2.5%

This distribution highlights the central importance of the ITIL Value System, which forms the backbone of the framework. It also emphasizes the need for a strong grasp of foundational terminology, as these concepts underpin all other areas of ITIL.

Candidates preparing for the examination should therefore prioritize their study efforts accordingly, focusing on high-weightage areas while ensuring coverage of all topics.

Scoring Methodology and Evaluation

The scoring mechanism of the ITIL Foundation exam is straightforward and transparent. Each question carries equal weight, and there is no penalty for

incorrect answers. This encourages candidates to attempt all questions, maximizing their chances of achieving the required pass mark.

The pass threshold of 65% reflects a balanced standard—high enough to ensure competence, yet achievable with proper preparation. It indicates that candidates must demonstrate a consistent level of understanding across the syllabus, rather than excelling in only a few areas.

The absence of negative marking also shifts the focus from risk avoidance to knowledge demonstration, aligning with the objective of validating foundational understanding.

Practical Implications for Candidates

Understanding the examination structure and scoring is critical for effective preparation. The design of the exam suggests the following key strategies:

- Focus on conceptual clarity rather than rote memorization.
- Practice different question formats, especially list and missing-word types.
- Allocate study time based on topic weightage, prioritizing the ITIL Value System and key definitions.
- Develop the ability to interpret questions carefully, particularly in negative or scenario-based formats.

Additionally, since the exam primarily tests recall and understanding, candidates should ensure that they can explain concepts in their own words and recognize their application in practical contexts.

Foundation for Advanced Certifications

The structure of the ITIL Foundation examination is intentionally designed to act as a gateway to advanced certifications. By validating knowledge at Bloom's Levels 1–2, it prepares the candidates for higher-level modules where application, analysis, and strategic thinking become essential.

This progression reflects the broader philosophy of ITIL Version 5—building capability incrementally, starting with a strong and standardized foundation.

The ITIL Version 5 Foundation examination is a well-structured and balanced assessment that evaluates both knowledge and understanding of core ITIL concepts. Its standardized format, clear scoring methodology, and alignment with Bloom's Taxonomy ensure that certified professionals possess the essential competencies that are required to progress further in their certification journey and contribute effectively to modern digital service environments.

Bloom's Taxonomy Levels in the Exam

The ITIL Version 5 Foundation examination is designed in alignment with Bloom's Taxonomy, which is a widely accepted educational framework to classify levels of cognitive learning. Bloom's Taxonomy provides a structured way to assess how deeply a candidate understands a subject—ranging from basic recall of information to higher-order thinking such as analysis and evaluation.

In the context of the ITIL Foundation (Version 5) certification, the examination is intentionally limited to Bloom's Level 1 (Recall) and Level 2 (Understanding). As specified in the official syllabus (page 3), candidates are expected to demonstrate at least two levels of cognitive ability to successfully pass the exam. This ensures that the certification validates a strong conceptual base, which can later be expanded through advanced certifications.

Overview of Bloom's Taxonomy

Bloom's Taxonomy traditionally consists of the following six levels of cognitive learning:

1. Level 1: Remember (Recall)
2. Level 2: Understand (Comprehension)
3. Level 3: Apply
4. Level 4: Analyze
5. Level 5: Evaluate
6. Level 6: Create

The ITIL Foundation exam focuses on the first two levels, which form the foundation of knowledge acquisition and conceptual clarity. Higher levels (such as Apply, Analyze, Evaluate, and Create) are typically assessed in advanced ITIL certifications.

Bloom's Level 1: Remember (Recall)

At Level 1, candidates are expected to remember and recognize key information. This includes the ability to recall definitions, terminology, and basic facts related to the ITIL framework.

In the ITIL Version 5 Foundation exam, Level 1 questions typically assess whether candidates can:

- Define key concepts such as digital products, services, value, and service relationships.
- Identify components of the ITIL Value System.
- Recall lifecycle activities, guiding principles, and key models.

These questions are generally straightforward and require accurate memorization and recognition. However, success at this level still demands clarity, as many terms in the ITIL have precise and context-specific meanings.

Bloom's Level 2: Understand (Comprehension)

At Level 2, candidates are required to go beyond simple recall and demonstrate understanding of concepts and their relationships. This involves interpreting information, explaining ideas, and recognizing how different elements of the framework interact.

In the ITIL Foundation exam, Level 2 questions may require candidates to:

- Explain how value is co-created through services.
- Understand the relationship between outputs and outcomes.
- Interpret the role of the ITIL Value System in enabling value delivery.
- Distinguish between concepts such as service provider versus service consumer.

- Recognize how lifecycle activities interact in a non-linear and iterative manner.

These questions test whether the candidate can make sense of the framework as an integrated system rather than as a collection of isolated definitions.

Distribution and Importance in the Exam

The ITIL Foundation examination includes a mix of Level 1 and Level 2 questions, ensuring a balanced evaluation of both knowledge and comprehension. While Level 1 ensures that candidates are familiar with the terminology, Level 2 confirms that they can interpret and apply that knowledge in context, even if only at a conceptual level.

This balance is critical because ITIL is not just a theoretical framework—it is intended to be applied in real-world environments. Even at the Foundation level, candidates must demonstrate that they understand how concepts connect and contribute to value creation.

Implications for Exam Preparation

Understanding Bloom's Taxonomy levels has direct implications for how candidates should prepare for the examination:

- For **Level 1** , focus on a clear and accurate understanding of definitions and key terms.
- For **Level 2** , focus on relationships, interpretations, and the practical meaning of concepts.
- Avoid rote memorization without understanding, as many questions test conceptual clarity.
- Practice scenario-based thinking, even if the exam does not require deep application.

Candidates who prepare with both levels in mind are more likely to succeed, as they can confidently handle both direct and interpretive questions.

Foundation for Higher-level Learning

The use of Bloom's Levels 1–2 in the ITIL Foundation exam is intentional. It establishes a strong cognitive base upon which higher-level skills—such as application, analysis, and strategic thinking—can be developed in advanced certifications.

This progression aligns with the broader ITIL philosophy of incremental capability development, ensuring that professionals build their expertise step by step.

Bloom's Taxonomy plays a critical role in shaping the ITIL Version 5 Foundation examination. By focusing on Recall and Understanding, the exam ensures that candidates develop a solid and structured grasp of ITIL concepts. This not only supports certification success but also prepares professionals for deeper learning and practical application in their service management journey.

Question Types and Assessment Patterns

The ITIL Version 5 Foundation examination employs a structured and standardized assessment approach that is designed to evaluate a candidate's clarity of understanding, conceptual accuracy, and ability to interpret key ITIL concepts. Rather than relying on subjective or descriptive answers, the exam uses OTQs to ensure consistency, fairness, and reliability in assessment.

As defined in the official syllabus (pages 3–4), all questions in the ITIL Foundation exam follow a multiple choice format, with carefully designed options that test both knowledge and comprehension. However, within this seemingly simple format lies a variety of question types and patterns that require thoughtful preparation and careful interpretation.

Objective Test Questions (OTQs): The Core Assessment Format

All questions in the ITIL Foundation exam are OTQs, meaning that each question presents a set of predefined answer options from which the candidate must select the correct one. This format eliminates ambiguity in evaluation and ensures consistent scoring across all candidates.

Each question includes:

- **A stem** (the question or statement) and
- **Four answer options** , with only one correct answer (except in specific list-based formats).

The incorrect options, known as “distractors,” are intentionally designed to be plausible. They often reflect common misunderstandings or partial knowledge, requiring candidates to have a clear and precise understanding of the subject.

Types of Questions in the ITIL Foundation Exam

The ITIL Version 5 Foundation exam includes the following distinct question types—each designed to assess different aspects of understanding:

- **Standard Multiple Choice Questions:** This is the most common question type. Candidates are presented with a question and four possible answers, from which they must select the single correct option.
    - **Focus:** Concept recognition and clarity.
    - **Example Approach:** Identifying definitions, principles, or correct statements.

  These questions primarily test Bloom’s Level 1 (Recall) and straightforward Level 2 understanding.
- **Negative Questions:** Negative questions are variations of standard multiple choice questions, but they are framed in a negative manner, such as asking which statement is “NOT correct.”
    - **Focus:** Attention to detail and conceptual precision.
    - **Challenge:** Candidates must carefully read the question to avoid misinterpretation.

  As highlighted in the syllabus, negative questions are used sparingly and only when it is important to understand what is not part of a concept or practice.
- **Missing Word(s) Questions:** In this format, candidates are presented with a sentence that has one or more missing words. They must select the correct option that completes the statement accurately.

    - **Focus:** Understanding of terminology in context.
    - **Challenge:** Requires familiarity with how concepts are expressed within the ITIL.

  These questions test both recall and comprehension, as candidates must ensure that the selected word fits logically and conceptually within the sentence.
- **List-based Questions:** List-based questions present four statements, and candidates are required to identify the two correct statements from the list.
    - **Focus:** Comparative understanding and discrimination between options.
    - **Format:** Options typically combine pairs (for example, 1 and 2, 2 and 3, and so on)

This question type is more demanding, as it requires candidates to evaluate multiple statements simultaneously and identify correct combinations. Importantly, as noted in the syllabus, list questions are never negatively phrased.

Assessment Patterns and Design Principles

The ITIL Foundation exam is carefully designed to ensure a balanced and comprehensive assessment. The following key patterns define how questions are structured and evaluated:

- **Conceptual Clarity over Memorization:** While some questions test direct recall, many are designed to assess whether candidates understand relationships between concepts. This aligns with Bloom's Level 2, where interpretation and comprehension are essential.
- **Use of Plausible Distractors:** Incorrect options are not arbitrary; rather, they are carefully constructed to reflect common misconceptions. This ensures that only candidates with a clear understanding can consistently select the correct answers.
- **Balanced Coverage of the Syllabus:** Questions are distributed according to the weighting of syllabus areas, ensuring that all key

topics are represented proportionately. This prevents over-reliance on any single topic and promotes comprehensive preparation.

- **Consistency and Objectivity:** The use of OTQs ensures that the assessment is objective and unbiased, with right and wrong answers. This enhances the credibility and reliability of the certification.

Implications for Candidates

Understanding the question types and assessment patterns is essential for effective exam preparation. Candidates should:

- Practice interpreting **different question formats** , especially list and missing-word types.
- Pay close attention to **question wording** , particularly in negative questions.
- Develop the ability to **differentiate between similar concepts** , as distractors are often closely related.
- Focus on **understanding concepts in context** , rather than memorizing isolated definitions.

A disciplined approach to preparation—combined with familiarity with these patterns—significantly improves performance in the exam.

Building Exam Confidence through Familiarity

One of the key advantages of the ITIL examination approach is its predictability and transparency. Since the question formats are clearly defined in the syllabus, candidates can prepare with confidence, knowing what to expect.

Regular practice with sample questions and mock exams allows candidates to:

- Improve speed and accuracy.
- Develop confidence in handling different question styles.
- Reduce the likelihood of errors due to misinterpretation.

The ITIL Version 5 Foundation examination uses a well-structured combination of question types and assessment patterns to evaluate both

knowledge and understanding. By leveraging OTQs, varied formats, and carefully designed distractors, the exam ensures a fair and effective assessment of a candidate's readiness. Mastery of these patterns not only improves exam performance but also reinforces a deeper and more practical understanding of ITIL concepts.

Study Planning and Preparation Strategies

Preparing for the ITIL Version 5 Foundation examination requires more than simply reading the material—it demands a structured, disciplined, and concept-driven approach to learning. Given that the examination assesses both recall and understanding (Bloom's Levels 1–2), candidates must focus on building clarity of concepts, contextual understanding, and exam readiness through a well-planned study strategy.

A thoughtful preparation plan not only improves the likelihood of passing the exam but also ensures that the knowledge gained can be applied effectively in real-world service management environments.

Establishing a Structured Study Plan

The first step in preparation is to create a structured study plan that is aligned with the syllabus. The ITIL Foundation syllabus clearly defines the topics, assessment criteria, and weightage of each area. Candidates should use this as the primary guide to organize their study schedule.

An effective study plan should:

- Allocate time based on topic weightage (for example, higher focus on the ITIL Value System and key concepts).
- Break down the syllabus into manageable sections.
- Include regular revision cycles.
- Set realistic milestones leading up to the exam.

This structured approach avoids last-minute preparation and ensures comprehensive coverage of all topics.

Focusing on Conceptual Understanding

A common mistake among candidates is over-reliance on memorization. While recalling definitions is important, the ITIL Foundation exam also tests the understanding of relationships and concepts.

Candidates should:

- Focus on “why” and “how”, not just “what”.
- Understand how concepts such as value, service relationships, and lifecycle activities interconnect.
- Relate theoretical concepts to practical scenarios within their own work environment.

This approach ensures readiness for both direct and interpretive questions.

Leveraging Official Learning Resources

The ITIL Foundation (Version 5) official book and syllabus should serve as the primary sources of study. These materials are aligned directly with the examination and provide the most accurate representation of expected knowledge.

Additionally, candidates can benefit from:

- Accredited training programs (if available),
- Practice guides and supporting materials (optional), and
- Visual aids such as diagrams of the ITIL Value System and lifecycle (Check with your ATO for the availability of a poster with the “big picture”).

Using authoritative resources ensures that preparation remains aligned with the certification requirements.

Practicing with Sample Questions and Mock Exams

Practice is a critical component of exam preparation. Given the structured nature of the ITIL exam, familiarity with question types significantly improves performance.

Candidates should:

- Use the two official sets provided by PeopleCert.
- Practice all question formats (such as standard, list, missing words, negative, and so on).
- Attempt mock exams under timed conditions.
- Review incorrect answers to identify knowledge gaps.

This not only improves accuracy but also builds confidence and time management skills, which are essential during the actual exam.

Developing Exam-Oriented Thinking

Success in the ITIL Foundation exam requires the ability to interpret questions carefully and select the most appropriate answer. Since distractors are often closely related to the correct answer, candidates must develop precision in their thinking.

Key strategies include:

- Reading questions thoroughly, especially identifying keywords such as "`NOT`," "`BEST`," or "`MOST`."
- Eliminating clearly incorrect options before selecting the final answer.
- Avoiding assumptions beyond what is explicitly stated in the question.

This disciplined approach reduces errors and improves decision-making under exam conditions.

Reinforcing Learning through Revision

Revision is essential for consolidating knowledge and improving retention. Candidates should plan multiple revision cycles, focusing on:

- Key definitions and terminology,
- Core models such as the ITIL Value System and lifecycle, and
- Relationships between concepts.

Using summary notes, flashcards, or mind maps can be particularly effective in reinforcing learning and enabling quick review before the exam.

Connecting Theory to Practice

One of the most effective ways to prepare for the ITIL Foundation exam is to link concepts to ITIL. Candidates who can visualize how ITIL principles apply in their organization are better able to understand and recall concepts.

For example:

- Relating value co-creation to customer interactions.
- Mapping lifecycle activities to actual service delivery processes.
- Understanding governance and continual improvement in an organizational context.

This practical orientation enhances both exam performance and long-term knowledge retention.

Time Management during Preparation and Exam

Effective time management is critical both during preparation and in the exam itself.

During preparation :

- Allocate consistent daily or weekly study time.
- Avoid cramming by spreading learning over a defined period.

During the exam :

- Aim to complete the first pass of all questions within the allocated time.
- Flag difficult questions and revisit them later.
- Ensure all questions are answered, as there is no negative marking.

This disciplined approach ensures optimal use of available time.

Maintaining Consistency and Confidence

Finally, consistency is the key to successful preparation. Regular study, continuous practice, and periodic revision build confidence and reduce exam anxiety.

Candidates should approach preparation with the mindset that ITIL certification is not just about passing an exam but also about developing a

structured understanding of service management that can be applied in professional contexts.

A Strategic Approach to Success

Effective preparation for the ITIL Version 5 Foundation exam requires a combination of structured planning, conceptual clarity, consistent practice, and exam-oriented thinking. By aligning study efforts with the syllabus, focusing on understanding rather than memorization, and practicing regularly, candidates can approach the examination with confidence and achieve success.

More importantly, this preparation process lays the groundwork for advanced certifications and equips professionals with the knowledge needed to contribute meaningfully to DPSM initiatives.

Linking Certification to Career Development

In today's dynamic digital economy, professional growth is closely tied to the ability to demonstrate relevant, validated, and continuously evolving skills. The ITIL Version 5 certification plays a critical role in this context by providing a structured pathway that directly aligns learning with career progression in DPSM. Rather than being an isolated academic achievement, the ITIL certification acts as a strategic enabler for both individual advancement and organizational capability building.

Certification as a Career Differentiator

One of the most immediate benefits of ITIL certification is its ability to serve as a recognized professional differentiator. In a competitive job market, employers increasingly seek candidates who can demonstrate not only experience but also a standardized understanding of best practices.

ITIL Certification :

- Validates knowledge against a globally accepted framework.
- Demonstrates commitment to professional development.
- Enhances credibility in service management and digital roles.

As established in ITIL 4 and further reinforced in ITIL Version 5, a certification signals that a professional is capable of contributing to value-driven service delivery and continuous improvement.

Alignment with Evolving Digital Roles

Modern organizations are shifting from traditional IT operations to integrated digital product and service ecosystems. This shift has created new roles and transformed existing ones, including:

- Service Manager
- Product Manager
- CX Lead
- Digital Transformation Consultant
- IT Governance and Strategy Specialist

The ITIL Version 5 certification structure is intentionally aligned with these evolving roles. Through pathways such as Practice Manager, Managing Professional, and Strategic Leader, individuals can tailor their certification journey to match their career direction.

This alignment ensures that certification is not generic but rather role-specific and outcome-oriented, making it directly relevant to real-world responsibilities.

Supporting Career Progression and Role Transition

The ITIL certification provides a clear and structured progression path, enabling professionals to move from foundational roles to advanced leadership positions.

A typical career progression supported by ITIL may include:

- Entry-level roles gaining foundational knowledge through ITIL Foundation.
- Mid-level roles specializing in operations or service delivery through advanced modules.
- Senior roles focusing on strategy, governance, and transformation.

This progression reflects a transition from:

- **Operational Execution → Service Integration → Strategic Leadership**

By following this pathway, professionals can systematically build competencies that support career advancement and role transition.

Enhancing Employability and Earning Potential

The ITIL certification has a direct impact on employability and compensation. Organizations value certified professionals as they bring structured thinking, standardized practices, and the ability to align IT services with business outcomes.

Certified professionals often benefit from:

- Increased job opportunities across industries.
- Eligibility for higher-responsibility roles.
- Improved salary prospects due to validated expertise.

The global recognition of ITIL ensures that these benefits are not limited to a specific region or sector, making certification a portable and versatile credential.

Bridging Technical and Business Perspectives

A key strength of the ITIL certification is its ability to bridge the gap between technical execution and business value. In many organizations, professionals struggle to connect IT activities with business outcomes. ITIL addresses this by emphasizing:

- Value co-creation,
- Customer and User Experience (UX), and
- Outcome-based service delivery.

This enables certified professionals to operate effectively at the intersection of IT and business, making them valuable contributors to cross-functional collaboration and decision-making.

Enabling Leadership and Strategic Thinking

As professionals progress through advanced certification pathways, ITIL Version 5 supports the development of leadership and strategic capabilities. Certifications within the Strategic Leader track, for example, focus on:

- Governance and organizational alignment,
- Digital transformation strategies, and
- Innovation and long-term value creation.

This prepares professionals not only to manage services but also to lead organizational change and drive business outcomes.

Supporting Continuous Learning and Adaptability

In a rapidly evolving technological landscape, static knowledge quickly becomes obsolete. The ITIL certification promotes a culture of continuous learning and adaptability, which is essential for long-term career success.

With the inclusion of topics such as:

- AI and automation,
- Value stream optimization, and
- Digital operating models.

ITIL Version 5 ensures that certified professionals remain relevant and capable of addressing emerging challenges. Extension modules, such as AI governance, further enhance this adaptability by allowing professionals to specialize in new and evolving domains.

Organizational Impact and Career Growth

Career development is not only about individual growth but also about the ability to contribute to organizational success. ITIL-certified professionals bring:

- Improved service quality and efficiency.
- Better alignment between IT and business objectives.
- Enhanced capability for managing complexity and change.

This creates a positive feedback loop—as professionals contribute more effectively, their value within the organization increases, leading to greater career opportunities.

Building a Long-term Professional Identity

Beyond immediate career benefits, the ITIL certification allows professionals to build a long-term professional identity in the field of service management. It positions them as:

- Practitioners of structured and proven methodologies.
- Contributors to value-driven service ecosystems.
- Leaders in DPSM.

This identity becomes increasingly important as organizations prioritize service excellence, CX, and digital innovation.

A Strategic Investment in Career Growth

The ITIL Version 5 certification is not just a qualification, but rather it is a strategic investment in career development. By aligning learning with real-world roles, enabling progressive skill development, and supporting continuous adaptation, it provides a comprehensive pathway for professional growth.

Whether an individual is starting their career, transitioning into service management, or advancing into leadership roles, the ITIL certification offers the structure, recognition, and relevance needed to succeed in the modern digital landscape.

Practical Application and Continuous Learning

The true value of the ITIL Version 5 certification is realized not at the point of passing the examination, but rather in the ability to apply its principles effectively within real-world environments. While the Foundation certification establishes conceptual clarity, its long-term impact depends on how well professionals translate this knowledge into practical actions, decision-making, and continuous improvement initiatives within their organizations.

In modern digital enterprises, where services are dynamic, interconnected, and continuously evolving, the application of ITIL concepts must move beyond theory into operational and strategic execution.

From Conceptual Knowledge to Practical Application

The ITIL Foundation certification equips candidates with an understanding of key concepts such as value co-creation, service relationships, the ITIL Value System, and lifecycle activities. However, the real challenge lies in contextualizing these concepts within organizational realities.

Practical application involves:

- Translating guiding principles into day-to-day decision-making.
- Applying value stream thinking to optimize workflows and reduce inefficiencies.
- Using lifecycle concepts to improve service design, transition, and operation.
- Leveraging continual improvement to enhance service quality and performance.

This transition from theory to practice ensures that the ITIL is not treated as a static framework but rather as a living management approach that evolves with organizational needs.

Embedding the ITIL in Organizational Practices

For the ITIL to deliver meaningful value, its principles must be embedded into organizational culture and practices. This requires more than individual certification—it involves aligning teams, processes, and governance structures with ITIL concepts.

Certified professionals play a key role in:

- Promoting a value-driven mindset across teams.
- Standardizing processes and improving consistency.
- Enhancing collaboration between technical and business stakeholders.
- Driving adoption of structured approaches to service management.

By applying the ITIL principles in real scenarios, professionals contribute to building resilient, efficient, and customer-focused service ecosystems.

The Role of Experience in Reinforcing Learning

Practical experience is essential for deepening understanding. Concepts that may initially appear theoretical become clearer when applied in real-world situations. For example:

- Understanding value co-creation becomes more tangible when engaging with customers and stakeholders.
- Lifecycle activities gain meaning when managing actual service transitions or deployments.
- Continual improvement becomes actionable when identifying and resolving operational inefficiencies.

This experiential learning reinforces knowledge and allows professionals to develop contextual judgment and problem-solving skills.

Continuous Learning as a Core Principle

A fundamental principle carried forward from ITIL 4 into ITIL Version 5 is the emphasis on continuous learning and improvement. Certification should not be viewed as a one-time achievement, but rather as the beginning of an ongoing journey.

Continuous learning involves:

- Keeping up with updates in ITIL practices and guidance.
- Exploring advanced certification pathways.
- Staying informed about emerging trends such as AI, automation, and digital transformation.
- Reflecting on practical experiences to refine understanding.

This aligns with the ITIL Continual Improvement Model, which encourages organizations and individuals to regularly assess, learn, and evolve.

Adapting to Technological and Organizational Change

The rapid pace of technological change—driven by cloud computing, DevOps, automation, and AI—requires professionals to remain adaptable. ITIL Version 5 explicitly incorporates these elements, emphasizing their role in modern service management.

Continuous learning enables professionals to:

- Integrate new technologies within structured service management practices.
- Adapt ITIL principles to different organizational contexts.
- Respond effectively to changing business requirements.

This adaptability ensures that ITIL-certified professionals remain relevant and capable of navigating complexity in digital environments.

Leveraging Advanced Certifications and Specializations

The ITIL certification framework is designed to support ongoing development through advanced and specialized modules. After achieving the Foundation qualification, professionals are encouraged to pursue pathways such as Practice Manager, Managing Professional, and Strategic Leader.

These advanced certifications:

- Deepen practical knowledge and application skills.
- Expand expertise across operational, tactical, and strategic domains.
- Enable professionals to take on greater responsibilities within their organizations.

In addition, extension modules such as AI governance provide opportunities to specialize in emerging areas, further enhancing professional capability.

Building a Culture of Continual Improvement

Practical application of ITIL is closely linked to fostering a culture of continual improvement. Certified professionals are expected to contribute to

this culture by:

- Identifying opportunities for improvement in processes and services.
- Using metrics and feedback to drive enhancements.
- Encouraging iterative progress rather than one-time changes.
- Promoting collaboration and visibility across teams.

This mindset ensures that improvement is not treated as a project but rather as an ongoing organizational capability.

Knowledge Sharing and Community Engagement

Continuous learning is also supported through knowledge sharing and professional engagement. ITIL practitioners benefit from participating in:

- Professional communities and forums,
- Training sessions and workshops, and
- Organizational knowledge-sharing initiatives.

Such interactions enable professionals to exchange insights, learn from diverse experiences, and stay aligned with evolving best practices.

A Sustainable Approach to Professional Growth

Ultimately, the combination of practical application and continuous learning creates a sustainable model for professional growth. It ensures that knowledge remains relevant, skills continue to evolve, and professionals are equipped to contribute effectively over the long term.

This approach reflects the broader philosophy of ITIL Version 5—where success is not defined by static achievement but by the ability to continuously create, deliver, and improve value.

Practical application and continuous learning are integral to realizing the full value of ITIL certification. By actively applying concepts in real-world scenarios and committing to ongoing development, professionals can transform theoretical knowledge into meaningful impact, driving both personal growth and organizational success in the digital era.

Conclusion

This chapter has provided a comprehensive view of the ITIL Version 5 certification journey, positioning it as more than a qualification framework—it is a structured pathway for building capability in DPSM. Beginning with the Foundation level and extending through advanced role-based pathways, the ITIL Version 5 enables professionals to develop progressively from conceptual understanding to operational excellence and strategic leadership.

The chapter has highlighted how the certification structure aligns with real-world roles, supports career development, and emphasizes both examination readiness and practical application. By understanding the examination patterns, Bloom's taxonomy levels, and effective preparation strategies, candidates can approach certification with clarity and confidence.

Equally important is the recognition that the certification is not an end in itself. The true value of the ITIL lies in its application—translating knowledge into improved service performance, enhanced customer experience, and sustained organizational value. Continuous learning, adaptability, and real-world implementation remain central to this journey.

In essence, the ITIL Version 5 certification serves as a bridge between knowledge and practice, enabling professionals to navigate complexity, contribute to value co-creation, and evolve alongside the rapidly changing digital landscape.

In the next chapter, we shall provide practical guidance for translating the ITIL Version 5 knowledge into actionable implementation steps within an organization.

Multiple Choice Questions

1. What is the primary purpose of ITIL Version 5 certification?
    a. To replace all existing IT management frameworks
    b. To validate structured knowledge and enable value-driven service management
    c. To focus only on technical system implementation
    d. To standardize software development tools

2. Which certification serves as the entry point into the ITIL Version 5 certification framework?
    a. ITIL Strategic Leader
    b. ITIL Managing Professional
    c. ITIL Foundation
    d. ITIL Practice Manager
3. What is the minimum pass mark for the ITIL Foundation (Version 5) exam?
    a. 50%
    b. 60%
    c. 65%
    d. 70%
4. Which of the following Bloom's Taxonomy levels are assessed in the ITIL Foundation exam?
    a. Apply and Analyze
    b. Evaluate and Create
    c. Recall and Understanding
    d. Analyze and Evaluate
5. What is a key benefit of role-based certification progression in ITIL Version 5?
    a. It eliminates the need for practical experience.
    b. It forces all candidates to follow a fixed certification path.
    c. It aligns certification pathways with real-world job roles.
    d. It focuses only on theoretical knowledge.

Answers

1. b
2. c
3. c

4. c
5. c

Questions

1. Explain the purpose of the ITIL Version 5 certification and its relevance in modern digital organizations.
2. Describe the overall structure of the ITIL Version 5 certification framework and how it supports progressive learning.
3. Discuss the role of the ITIL Foundation qualification within the certification pathway. Why is it considered essential?
4. Compare the three primary advanced certification pathways in ITIL Version 5 and explain their relevance to different professional roles.
5. Explain how role-based certification progression in ITIL Version 5 aligns with real-world job responsibilities.
6. Describe the structure of the ITIL Foundation examination, including its format, scoring, and key characteristics.
7. Explain the significance of Bloom's Taxonomy in the ITIL Foundation exam and how it influences question design.
8. Discuss the different types of questions used in the ITIL Foundation exam and how they assess candidate understanding.
9. Outline an effective study plan for preparing for the ITIL Foundation exam, highlighting key strategies for success.
10. Explain how ITIL certification contributes to career development and supports long-term professional growth.

Key Terms

- **ITIL Certification:** A globally recognized validation of knowledge and capability in Digital Product and Service Management (DPSM).
- **ITIL Foundation:** The entry-level qualification that establishes core concepts, terminology, and principles of ITIL.
- **Certification Pathway:** A structured progression of certifications that enables professionals to advance from foundational to strategic roles.

- **Practice Manager:** A certification track focused on operational excellence and the implementation of service management practices.
- **Managing Professional:** A pathway emphasizing end-to-end management of digital products and services across their lifecycle.
- **Strategic Leader:** A certification track designed for professionals responsible for governance, strategy, and digital transformation.
- **ITIL Transformation:** A key module that focuses on organizational change, value stream optimization, and digital transformation capabilities.
- **Bloom's Taxonomy:** A framework used to classify levels of learning, with the Foundation exam focusing on recall and understanding.
- **Objective Test Questions (OTQs):** Multiple-choice questions used in the ITIL exam to assess knowledge and conceptual clarity.
- **Continual Improvement:** An ongoing approach to enhancing services, processes, and value delivery through iterative learning and optimization.

CHAPTER 11

Implementation and Next Steps

Introduction

This chapter will provide practical guidance for translating the Information Technology Infrastructure Library (ITIL) Version 5 knowledge into actionable implementation steps within an organization. It bridges the gap between conceptual understanding and real-world execution, allowing readers to move from certification readiness to operational impact.

The chapter will begin by emphasizing that successful ITIL adoption is not about rigid framework implementation, but rather about contextual adaptation aligned with organizational strategy, maturity, and culture. It will explain how organizations should assess their current state, identify gaps, and prioritize initiatives based on value, risk, and strategic objectives.

Readers will be introduced to structured approaches for initiating ITIL-based transformation, including defining scope, securing leadership sponsorship, establishing governance mechanisms, and aligning stakeholders. The importance of tailoring practices, lifecycle activities, and value streams to organizational needs will be highlighted to avoid unnecessary complexity.

The chapter will also discuss change management considerations, including communication planning, capability development, and cultural alignment. It will reinforce that sustainable implementation requires embedding continual improvement into organizational routines rather than treating ITIL adoption as a one-time project.

Practical guidance is provided on measuring success through performance metrics, Critical Success Factors (CSFs), and maturity assessments. The role of automation and AI-enabled tools in accelerating implementation and maintaining visibility is introduced as a modern enabler of digital transformation.

By the end of this chapter, readers will understand how to confidently initiate, scale, and sustain ITIL Version 5 practices within their organization,

ensuring alignment between strategy, governance, operations, and measurable outcomes.

Structure

In this chapter, we will cover the following topics:

- From Certification to Practical Application
- Assessing Organizational Readiness and Maturity
- Defining Scope and Implementation Priorities
- Securing Executive Sponsorship and Governance Alignment
- Tailoring the ITIL to Organizational Context
- Designing and Optimizing Value Streams
- Embedding Continual Improvement
- Change Management and Cultural Alignment
- Performance Measurement and Success Metrics
- Leveraging Automation and AI in Implementation
- Building Long-term Capability and Sustainability

From Certification to Practical Application

Certification provides a structured understanding of ITIL Version 5, but organizational value is realized only when that understanding is translated into practical action. Passing the examination confirms that a professional understands the language, concepts, and logic of Digital Product and Service Management (DPSM). However, implementation requires a different discipline: The ability to interpret the framework in the context of business priorities, operational constraints, stakeholder expectations, and organizational maturity.

The first step after certification is to move from knowledge recall to application. Practitioners should ask how the ITIL Version 5 concepts can improve actual products, services, value streams, governance mechanisms, and management practices. This shift is important because the ITIL is not intended to be copied mechanically. It provides a body of guidance that must be adapted to the organization’s operating model, culture, regulatory environment, sourcing model, technology landscape, and strategic direction.

In practical terms, implementation begins by identifying where the organization is experiencing friction. Examples include slow response to customer needs, poor visibility of service performance, fragmented ownership across teams, weak governance over digital products, repeated incidents, inconsistent supplier performance, or value streams that are delayed by handoffs and approvals. These issues should be translated into improvement opportunities rather than treated as isolated process problems.

A useful approach is to connect certification learning to real organizational scenarios. For example, the concept of value co-creation can be applied by reviewing how customers, users, product teams, service providers, suppliers, and digital product vendors interact across the product and service lifecycle. The concept of outcomes can be applied by shifting performance conversations away from activity completion and toward business impact. The lifecycle activities such as “Discover,” “Design,” “Acquire,” “Build,” “Transition,” “Operate,” “Deliver,” and “Support” can be used to understand where work enters the organization, how it flows, and where value is delayed or lost.

Readers familiar with the ITIL 4 should recognize continuity in the emphasis on value, practices, continual improvement, and guiding principles. The ITIL Version 5 extends this thinking into a more explicit digital product and service context. The practical implication is that implementation should not only focus on service desk procedures or operational processes; rather, it should address the full management system needed to govern, design, deliver, support, and improve digital products and services.

The transition from certification to practical application should therefore be deliberate. Organizations should start with focused use cases, define measurable outcomes, involve stakeholders early, and use improvement cycles to refine implementation. The goal is not to prove that every ITIL concept has been adopted. The goal is to demonstrate that the ITIL Version 5 guidance is improving decision-making, reducing risk, enhancing stakeholder experience, and enabling sustainable value creation. *Figure 11.1* describes the scenario:



Figure 11.1: *From Certification to Practice*

To translate this concept into practical application, the following two examples illustrate how organizations can use it to determine their next actions:

Example 1: Applying the ITIL Learning to Incident Handling

After completing the ITIL Version 5 Foundation certification, a service desk manager reviews how incidents are currently handled. The team is closing tickets quickly, but the recurring incidents are not being analyzed. The manager uses the ITIL concepts to introduce better categorization, priority rules, escalation criteria, and links between incident management and problem management.

Next Action for the Reader: Identify one current process where certification knowledge can be applied immediately, such as incident handling, request fulfilment, change enablement, or service level management.

Example 2: Converting Study Knowledge into a Small Improvement Initiative

An IT professional learns about value streams and continual improvement during certification preparation. Instead of treating this knowledge only as exam content, they select one service request journey, such as “new laptop

request," and map the steps from request submission to delivery. They identify delays in approval and stock allocation, then recommend improvements.

Next Action for the Reader: Choose one real service journey and apply one ITIL concept to improve it.

Please note that the ITIL Transformation Model consists of:

- **Four Layers:** Governance, positioning, execution, and learning.
- **Twelve Stages:** Initiate, orchestrate, orient, decide, clarify, prepare, deliver, evaluate, adapt, and synthesize.
- **Twenty-four Steps:** connect, envision, baseline, define, map, structure, prioritize, scope, interpret, calibrate, assess, select, appraise, plan, do, study, act, bound, design, run, examine, distil, stabilize, and integrate.

Assessing Organizational Readiness and Maturity

Before starting an ITIL Version 5 implementation, an organization must understand its current readiness and maturity. Readiness indicates whether the organization has the leadership commitment, stakeholder alignment, skills, data, tools, and governance mechanisms needed to begin. Maturity indicates how consistently and effectively the organization performs the relevant management practices, lifecycle activities, value streams, and improvement routines.

A readiness assessment should begin with strategic alignment. The organization should confirm why the ITIL Version 5 is being adopted and what business outcomes are expected. Possible drivers may include improving digital service performance, strengthening governance, supporting product-based operating models, improving Customer Experience (CX), reducing operational risk, enabling automation, or creating a common management language across teams. Without a clear driver, ITIL implementation can become an academic exercise rather than a business transformation initiative.

The next area is organizational capability. This includes the availability of competent people, defined roles, accountable owners, documented procedures, reliable data, and tool support. Capability should be assessed across the four dimensions of product and service management: "Organizations and People," "Information and Technology," "Partners and

Suppliers," and "Value Streams and Processes." A weakness in any dimension can restrict implementation success. For example, a technically advanced toolset cannot compensate for unclear ownership, poor governance, or weak collaboration between product and operations teams.

Maturity assessment should examine how work is currently managed. Are value streams visible? Are decisions based on reliable information? Are practices consistently followed? Are improvement opportunities captured and acted upon? Are suppliers and digital product vendors integrated into governance and delivery routines? Are risks, costs, and sustainability considerations considered during design and operation? These questions allow the organization to move beyond superficial process compliance and understand whether the management system is producing reliable outcomes.

Assessment should not be limited to documentation review. Interviews, workshops, ticket analysis, service performance data, customer feedback, audit observations, incident trends, change records, supplier reports, and value stream mapping can all provide evidence. The aim is to build an honest baseline. This baseline allows the organization to prioritize improvement based on value, risk, and feasibility rather than perception or hierarchy.

The result of the readiness and maturity assessment should be a practical implementation baseline. It should identify strengths to preserve, weaknesses to address, quick wins, capability gaps, stakeholder concerns, and areas requiring governance attention. Importantly, maturity should not be treated as a label or score alone. A maturity level is useful only when it leads to specific improvement actions. In the ITIL Version 5 implementation, readiness and maturity assessment should therefore function as a decision-making tool for planning, prioritization, and continual improvement.

From ITIL Transformation: How This Could Be Done

Conduct Readiness Assessment:

1. Assemble the same cross-functional team from governance mapping sessions.
2. For each of the five areas (namely, leadership capacity, organizational readiness, key capabilities, cultural fit, and risk posture):

a. Rate current maturity on a scale of 1-10,
b. Compare against requirements from the transformation governance pattern, and
c. Document specific gaps with real examples.

3. Create heat map showing readiness by area.

Analyze Gap Severity:

1. Categorize gaps as:
    a. **Critical:** This will block transformation if not addressed.
    b. **Important:** This will slow progress or create friction.
    c. **Minor:** This can work around temporarily.
2. For critical gaps, determine if they can be built in available timeframe.
3. If multiple critical gaps exist, consider whether to adjust governance pattern or transformation scope.

Design Capability Interventions:

1. For each critical and important gap:
    a. Select 2-3 interventions from the preceding tables,
    b. Customize interventions to your context,
    c. Identify internal champions and external resources needed, and
    d. Set realistic timelines (some capabilities take months to build).
2. Create a 90-day plan for quick wins.
3. Map longer-term capability building journey.

Prioritize and Sequence:

1. Start with capabilities that:
    a. Address the most critical gaps,
    b. Can show quick progress to build momentum, and
    c. Have willing early adopters.
2. Create phased approach if gaps are extensive.

3. Consider a pilot approach to build capabilities in a controlled environment.

Establish Capability Building Infrastructure:

1. Assign capability owners for each area.
2. Set up measurement approach:
    a. leading indicators (such as training attendance, pilot launches, and more)
    b. lagging indicators (such as behavior changes, successful governance outcomes, and more).
3. Create feedback mechanisms to adjust interventions.
4. Schedule monthly capability review sessions.

Document Capability Building Plan:

1. Visual roadmap showing intervention timeline.
2. Clear owners and success metrics.
3. Investment required (such as time, money, external support, and more).
4. Risk mitigation if capabilities cannot be built in time.
5. Integration with the transformation timeline.

The following examples demonstrate how this concept can guide organizations in shaping their implementation strategy and deciding their next steps:

Example 1: Readiness Assessment before Implementing the ITIL Practices

The following are the steps needed to be carried out:

1. **Conduct Readiness Assessment:**
    a. Assemble the same cross-functional team from governance mapping sessions.
    b. For each of the five areas (namely, leadership capacity, organizational readiness, key capabilities, cultural fit, and risk posture):
        i. Rate current maturity on a scale of 1-10,

ii. Compare against requirements from the transformation governance pattern, and
iii. Document specific gaps with real examples.

c. Create a heat map showing readiness by area.

Next Action for the Reader: Conduct a simple readiness assessment covering people, processes, tools, governance, data, and culture.

Example 2: Maturity Review before Automation

The following are the steps to be carried out:

1. **Analyze Gap Severity:**
    a. Categorize gaps as:
        i. **Critical:** This will block transformation if not addressed.
        ii. **Important:** This will slow progress or create friction.
        iii. **Minor:** This can work around temporarily.
    b. For critical gaps, determine if they can be built in available timeframe.
    c. If multiple critical gaps exist, consider whether to adjust the governance pattern or the transformation scope.
2. **Design Capability Interventions:**
    a. For each critical and important gap:
        i. Select 2-3 interventions from the preceding tables.
        ii. Customize interventions to your context.
        iii. Identify internal champions and external resources needed.
        iv. Set realistic timelines (as some capabilities take months to build).
    b. Create a 90-day plan for quick wins.
    c. Map a longer-term capability-building journey.
3. **Prioritize and Sequence:**
    a. Start with capabilities that:
        i. Address the most critical gaps,

ii. Show quick progress to build momentum, and
iii. Have willing early adopters.

b. Create a phased approach if gaps are extensive.
c. Consider a pilot approach to build capabilities in a controlled environment.

4. **Establish Capability Building Infrastructure:**

a. Assign capability owners for each area.
b. Set up measurement approach:

i. Leading indicators (such as training attendance, pilot launches, and more)
ii. Lagging indicators (such as behavior changes, successful governance outcomes, and more).

c. Create feedback mechanisms to adjust interventions.
d. Schedule monthly capability review sessions.

5. **Document Capability Building Plan:**

a. Visual roadmap showing intervention timeline.
b. Clear owners and success metrics.
c. Investment required (such as time, money, external support, and more).
d. Risk mitigation if capabilities cannot be built in time.
e. Integration with the transformation timeline.

Next Action for the Reader: Do not automate an immature process. First, assess whether the process is stable, documented, measurable, and accepted by stakeholders.

Defining Scope and Implementation Priorities

A common implementation mistake is attempting to adopt too much of the ITIL at once. The ITIL Version 5 provides broad guidance for managing digital products and services, but organizational implementation must be scoped carefully. Scope defines where the initiative will apply, what outcomes it will pursue, which products, services, practices, value streams,

or organizational units will be included, and which areas will be excluded during the initial phase.

Effective scoping begins with the organization's strategic objectives. If the primary concern is poor CX, the scope may focus on service journey stages, support practices, feedback loops, and experience metrics. If the concern is slow product delivery, the scope may focus on design, build, transition, value stream optimization, and collaboration between product and operations teams. If the concern is governance weakness, the scope may focus on decision rights, policy alignment, performance monitoring, risk management, and executive oversight.

Scope should also be defined in terms of value streams. Rather than selecting isolated processes, organizations should examine end-to-end flows of work. A value stream perspective reveals dependencies between practices and lifecycle activities. For example, improving incident resolution may require better knowledge management, monitoring, supplier coordination, problem management, change enablement, and communication with users. Similarly, improving the release of a digital product may require attention to design, acquisition, build, transition, testing, governance approval, and post-implementation support.

Priorities should be based on value, urgency, risk, and implementation feasibility. High-value areas are those that directly affect customer outcomes, operational resilience, regulatory compliance, cost efficiency, or strategic capability. High-risk areas may include critical services, fragile supplier arrangements, repeated outages, poor data quality, or unmanaged changes. Feasibility considers whether the organization has the skills, leadership support, tool capability, and stakeholder willingness required to implement change successfully.

A practical prioritization method is to classify initiatives into three groups. The first group includes foundational enablers such as governance, roles, baseline measurement, communication, and minimum process controls. The second group includes high-impact improvements such as value stream optimization, performance dashboards, service level refinement, and automation of repetitive work. The third group includes longer-term capability building such as AI-enabled insights, advanced maturity assessments, product-oriented operating models, and integrated supplier ecosystems.

The defined scope should be documented and approved. It should include the implementation objectives, boundaries, assumptions, dependencies, success measures, key stakeholders, and expected benefits. Clear scope prevents uncontrolled expansion and helps stakeholders understand what will change. At the same time, the scope should not be rigid. The ITIL Version 5 implementation should remain iterative, allowing the organization to adjust priorities as evidence emerges. The objective is to start with manageable boundaries, create visible value, learn from implementation, and then scale with confidence.

To translate this concept into practical application, the following two examples illustrate how organizations can use it to determine their next actions:

Example 1: Starting with High-Impact Practices

An organization wants to implement all ITIL practices at once. After the discussion, it was realized that the biggest business pain is the delayed resolution of critical incidents. Instead of launching a broad transformation, it prioritizes incident management, major incident management, service level management, and communication practices.

Next Action for the Reader: Prioritize the ITIL implementation based on business pain, risk, value, and urgency.

Example 2: Limiting Scope to One Business Unit

A large enterprise decides not to implement the ITIL Version 5 across the entire organization immediately. It selects one business unit—such as customer support or digital operations—as a pilot area. Lessons learned from the pilot are then used to refine the implementation approach before scaling.

Next Action for the Reader: Define a manageable pilot scope instead of attempting enterprise-wide implementation from day one.

Securing Executive Sponsorship and Governance Alignment

The ITIL Version 5 implementation requires more than operational enthusiasm. It needs executive sponsorship and governance alignment as the changes often affect priorities, funding, ownership, risk appetite, supplier relationships, performance expectations, and culture. Without leadership

support, implementation may remain limited to procedural documentation or tool configuration and may fail to influence how the organization actually makes decisions.

Executive sponsorship begins with a clear business case. Leaders should understand why ITIL Version 5 matters in the organization's context. The case should be framed in business language rather than framework language. Instead of stating that the organization needs to implement management practices, the case should explain how improved product and service management will reduce operational risk, improve customer outcomes, strengthen governance, accelerate delivery, improve transparency, and enable sustainable digital growth.

Sponsors must also understand their responsibilities. Their role is not merely to approve the initiative. They must also provide direction, resolve conflicts, secure resources, reinforce accountability, remove organizational barriers, and demonstrate visible commitment. When implementation requires cross-functional collaboration, executive sponsorship becomes especially important as value streams often cut across business units, technology teams, suppliers, compliance functions, and support organizations.

Governance alignment ensures that the ITIL implementation supports enterprise objectives and does not operate as a parallel initiative. Governance bodies should evaluate the current situation, engage stakeholders, direct management priorities, and monitor progress against defined outcomes. This creates a link between strategic intent and operational execution. Governance alignment also ensures that decisions about scope, investment, risk, quality, sustainability, and customer impact are made consistently.

A governance structure for implementation may include an executive sponsor, a steering committee, practice owners, value stream owners, product or service owners, risk and compliance representatives, supplier representatives, and change champions. The structure should define decision rights, escalation paths, reporting frequency, and performance expectations. It should also clarify how the ITIL implementation interacts with existing governance mechanisms such as enterprise architecture boards, risk committees, supplier governance forums, security governance, and portfolio management.

The governance agenda should focus on value and outcomes. Leaders should review progress against agreed objectives, benefits realization, risks, dependencies, adoption barriers, and stakeholder feedback. They should avoid reducing governance to document approval. Effective governance asks whether implementation is improving the organization's ability to create, deliver, and sustain value through digital products and services.

For readers familiar with ITIL 4, the importance of governance is not new. In ITIL Version 5, the governance discussion becomes even more relevant because digital product and service ecosystems are more complex, more automated, more supplier-dependent, and more outcome-driven. Executive sponsorship and governance alignment therefore form the control environment that enables the ITIL implementation to move from local improvement to enterprise-level capability.

The practical relevance of this concept becomes clearer when viewed through the following two examples.

Example 1: Linking the ITIL Implementation to Business Objectives

The CIO wants to improve service reliability, but the business leadership is mainly concerned about customer dissatisfaction and revenue loss caused by service outages. The Information Technology Service Management (ITSM) team presents the ITIL implementation as a way to reduce downtime, improve CX, and increase operational transparency.

Next Action for the Reader: Position the ITIL implementation as a business improvement initiative, not only an IT process initiative.

Example 2: Creating a Governance Forum

An organization creates a monthly service governance forum involving IT, business representatives, risk, compliance, and operations. The forum reviews service performance, major incidents, improvement initiatives, and risks. This ensures that the ITIL implementation remains aligned with organizational priorities.

Next Action for the Reader: Establish a governance mechanism to evaluate, direct, monitor, and engage stakeholders during implementation.

Tailoring the ITIL to Organizational Context

The ITIL Version 5 should be adopted through tailoring, not imitation. Every organization has a distinct context shaped by its strategy, industry, regulatory

obligations, culture, technology environment, sourcing model, product portfolio, customer expectations, and maturity level. Tailoring means selecting and adapting the ITIL guidance so that it supports the organization's outcomes without creating unnecessary bureaucracy.

The starting point for tailoring is understanding the organization's operating model.

Figure 11.2 is a virtual representation of the operating model:

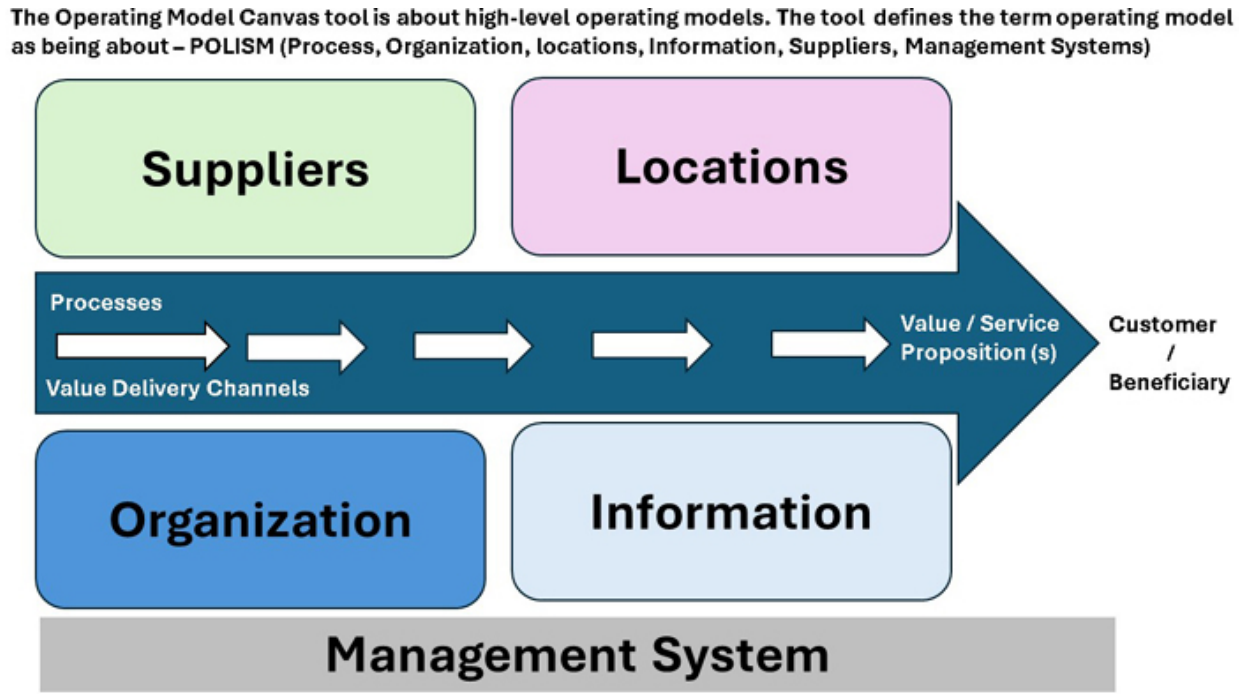

Figure 11.2: *The Operating Model*

A start-up, a government agency, a bank, a healthcare provider, and a global technology enterprise will not implement the ITIL in the same way. Their risk tolerance, governance expectations, documentation needs, decision speed, supplier dependencies, and automation capability will differ. The ITIL Version 5 provides guidance that can be scaled and adapted across these contexts, but the organization must decide what is appropriate, sufficient, and sustainable.

Tailoring should be guided by the ITIL principles of focusing on value, starting where the organization is, progressing iteratively, collaborating, thinking and working holistically, keeping things simple, and optimizing and automating, wherever appropriate. These principles prevent two common errors: over-engineering and under-controlling. Over-engineering occurs

when organizations create excessive procedures, approvals, or templates that slow down work. Under-controlling occurs when organizations ignore essential governance, risk, quality, or accountability requirements.

Tailoring applies to practices, lifecycle activities, roles, workflows, metrics, and tools. For example, change enablement in a highly regulated environment may require formal approval, segregation of duties, and evidence retention. In a digital product team that uses frequent releases, the same practice may be tailored to support standard changes, automated testing, deployment pipelines, and risk-based approvals. Both approaches can be valid if they support value, manage risk, and align with governance expectations.

The four dimensions provide a useful tailoring lens. Under "Organizations and People," the organization should assess roles, culture, skills, collaboration, and leadership behavior. Under "Information and Technology," it should assess tools, data, knowledge, automation, Artificial Intelligence (AI) capability, and reporting. Under "Partners and Suppliers," it should consider external dependencies, contracts, service levels, and digital product vendor responsibilities. Under "Value Streams and Processes," it should design workflows that reflect how value actually flows rather than how departments are structured.

Tailoring should be documented sufficiently so that people understand how the ITIL guidance has been applied. This documentation may include policies, process models, value stream maps, RACI matrices, practice guides, work instructions, measurement definitions, and tool configurations. However, documentation should support performance rather than exist for its own sake.

Successful tailoring makes the ITIL practical and credible. It allows the organization to preserve the framework intent while adapting the implementation form. The test of tailoring is simple: Does the adapted approach help the organization create better outcomes, improve experience, control risk, and sustain continual improvement? If the answer is yes, the ITIL Version 5 has been applied in the spirit of the framework rather than merely copied as a set of procedures.

The following examples demonstrate how this concept can guide organizations in shaping their implementation strategy and deciding their next steps.

Example 1: Tailoring for a Small Organization

A small technology company does not need complex approval boards for every change. Instead, it designs lightweight change enablement rules. Standard changes are pre-approved, normal changes follow basic review, and emergency changes require rapid approval with post-implementation review.

Next Action for the Reader: Avoid over-engineering. Tailor practices based on size, complexity, risk, and organizational culture.

Example 2: Tailoring for a Regulated Organization

A financial services company must comply with regulatory and audit requirements. Its ITIL implementation includes stronger documentation, segregation of duties, evidence of approval, access controls, risk assessment, and compliance reporting.

Next Action for the Reader: Adjust the ITIL practices to match regulatory, governance, security, and audit expectations.

Designing and Optimizing Value Streams

Value streams are central to the practical ITIL Version 5 implementation because they show how work flows from demand or opportunity to value realization. A value stream is not just a process diagram; rather, it is an end-to-end view of the activities, practices, people, information, technology, suppliers, decisions, and feedback loops required to produce an outcome. Designing and optimizing value streams allows organizations to move away from fragmented functional thinking and toward integrated value creation.

The first step is to identify the value stream. Examples may include resolving a major incident, onboarding a new employee, releasing a digital product feature, fulfilling a service request, restoring a critical platform, procuring a technology component, or improving a customer-facing service. The value stream should be defined from the perspective of the stakeholder receiving value, and not merely from the perspective of the internal team performing work.

Once identified, the value stream should be mapped. The map should show triggers, inputs, activities, decision points, roles, systems, suppliers, handoffs, outputs, controls, and feedback mechanisms. It should also identify which ITIL lifecycle activities and management practices are

involved. For example, a product release value stream may include Discover, Design, Build, Transition, Deliver, Operate, and Support activities, along with practices such as change enablement, deployment management, release management, service validation and testing, knowledge management, monitoring, and service desk interaction.

Optimization begins by analyzing friction. Common sources of delay include unclear ownership, excessive approval points, poor data quality, manual rework, duplicated controls, weak supplier coordination, unclear requirements, inadequate testing, communication gaps, and lack of visibility. Value stream analysis should also identify risks such as security exposure, compliance gaps, resilience weaknesses, and poor User Experience (UX).

The goal is not simply to make the value stream faster, as optimization must balance speed, quality, risk, cost, experience, sustainability, and governance. A faster workflow that increases incidents or weakens compliance is not optimized. Similarly, a highly controlled workflow that delays value unnecessarily may not serve business outcomes. The ITIL Version 5 implementation should therefore optimize value streams holistically, considering all four dimensions and stakeholder expectations.

Metrics are essential. Lead time, cycle time, wait time, rework rate, automation rate, incident recurrence, customer satisfaction, first-time-right percentage, change failure rate, service availability, and cost-to-serve can provide useful insights. However, metrics should be selected based on the value stream's purpose. A request fulfillment value stream may prioritize speed and experience, while a critical infrastructure change value stream may prioritize risk control, resilience, and successful implementation.

Value stream design should be iterative. Organizations should start with current-state mapping, identify improvement opportunities, design a target state, implement changes in manageable increments, and measure results. Over time, value streams should become visible, measurable, and continuously improved. This is where the ITIL Version 5 becomes practical, as it enables organizations to connect strategy, practices, lifecycle activities, tools, and people into coherent flows of value.

The following two examples show how this concept can be applied in real organizational situations:

Example 1: Optimizing Employee Onboarding

An organization maps the value stream for onboarding a new employee. The current flow includes HR request, manager approval, asset allocation, account creation, access provisioning, laptop delivery, and orientation. The mapping reveals delays between HR approval and IT asset allocation.

Next Action for the Reader: Map an end-to-end value stream and identify bottlenecks, hand-offs, rework, and waiting time.

Example 2: Improving Incident-to-Resolution Flow

A company maps the value stream for resolving priority incidents. It finds that tickets move between multiple support groups without clear ownership. The organization introduces clear escalation paths, resolver-group responsibilities, communication templates, and major incident triggers.

Next Action for the Reader: Use value stream thinking to improve speed, accountability, and CX.

Embedding Continual Improvement

Continual improvement is not a separate activity that is performed after implementation. It is a management discipline that must be embedded into everyday work. In ITIL Version 5, continual improvement supports the ongoing enhancement of digital products, services, practices, value streams, governance mechanisms, and organizational capabilities. Without continual improvement, the ITIL implementation can become static, document-heavy, and disconnected from changing business needs.

Embedding continual improvement begins with mindset. Teams should view improvement as part of their responsibility, not as a special project assigned only to process owners or quality teams. Every role involved in DPSM should be encouraged to identify improvement opportunities, provide feedback, learn from performance data, and contribute to better outcomes. This includes product owners, service owners, support teams, suppliers, governance bodies, users, and business stakeholders.

A structured improvement approach is still necessary. Organizations should maintain an improvement register or backlog that captures opportunities, issues, risks, ideas, audit observations, customer feedback, incident trends, value stream bottlenecks, and automation candidates. Each improvement item should be assessed for value, urgency, risk reduction, feasibility, cost,

and dependency. This prevents improvement from becoming a collection of informal suggestions with no ownership or follow-through.

Continual improvement should be linked to measurement. Baselines are important because they allow the organization to demonstrate whether improvement has actually occurred. Before making changes, teams should understand current performance. After implementation, they should compare results against the baseline. This evidence-based approach improves credibility and helps leadership distinguish between activity and impact.

Improvement also requires governance. Management teams should regularly review improvement progress, remove obstacles, allocate resources, and ensure alignment with strategic objectives. Governance bodies should monitor whether improvement initiatives are producing value and whether risks are being addressed. This is particularly important in digital environments where technology, customer expectations, regulatory demands, and supplier dependencies change rapidly.

Embedding improvement into culture requires visible leadership behavior. Leaders should ask learning-oriented questions: What did we learn? What evidence supports this conclusion? Which value stream is affected? What risk is reduced? Which stakeholder experience has improved? What should be standardized, automated, simplified, or retired? Such questions reinforce improvement as a normal way of working.

For the ITIL Version 5 implementation, continual improvement should operate at multiple levels. At the operational level, it improves workflows and practices. At the tactical level, it improves value streams and performance management. At the strategic level, it improves governance, product and service portfolios, sourcing models, and long-term capability. The most mature organizations do not wait for failures to trigger improvement. They continuously use data, feedback, and stakeholder insight to refine how value is created and sustained.

The following two examples illustrate how this concept can be applied in practice and how it can help organizations decide their next course of action:

Example 1: Creating an Improvement Register

A service desk team receives repeated feedback that users are unhappy with ticket updates. Instead of treating this as informal feedback, the team records it in an improvement register. Actions are assigned, progress is reviewed weekly, and communication templates are improved.

Next Action for the Reader: Create a visible improvement register and make improvement part of routine operations.

Example 2: Using Small Improvement Cycles

An IT operations team wants to reduce recurring backup failures. Rather than launching a large project, it runs a four-week improvement cycle. It analyzes failure patterns, updates monitoring rules, improves job scheduling, and reviews results.

Next Action for the Reader: Start with small and measurable improvements instead of waiting for major transformation projects.

Change Management and Cultural Alignment

Successful ITIL Version 5 implementation depends heavily on organizational change management and cultural alignment. Framework adoption affects how people work, collaborate, make decisions, document activities, measure performance, interact with suppliers, and respond to customers. Even well-designed practices and value streams can fail if people do not understand the purpose of change or if the culture resists new ways of working.

The first requirement is a clear change narrative. Stakeholders should understand why the organization is implementing ITIL Version 5, what problems it is trying to solve, what outcomes are expected, and how the change will affect their roles. The message should not be limited to certification language or framework terminology. It should explain practical benefits such as improved service reliability, faster delivery, better CX, clearer accountability, reduced rework, stronger governance, and improved decision-making.

Cultural alignment ensures that the implementation approach fits the organization's values, behaviors, leadership style, and readiness for change. In a highly hierarchical organization, implementation may require explicit governance structures and formal approvals. In an agile digital product organization, implementation may require lightweight controls, integrated workflows, and team-level empowerment. In both cases, cultural realities must be understood and addressed rather than ignored.

Stakeholder engagement is essential. Different stakeholders will have different concerns. Executives may focus on strategic value and risk.

Managers may focus on accountability and resource impact. Practitioners may worry about additional workload or loss of flexibility. Customers and users may care about service experience and responsiveness. Suppliers may need clarity on roles, interfaces, reporting, and contractual expectations. Implementation planning should address these perspectives explicitly.

Communication should be continuous and two-way. Announcements alone are not enough. Workshops, role-based briefings, town halls, feedback sessions, process simulations, pilot reviews, and communities of practice can build understanding and ownership. Communication should also reinforce what will not change. This reduces anxiety and prevents stakeholders from assuming that ITIL implementation means excessive bureaucracy.

Capability development is another cultural lever. People need training, coaching, job aids, templates, role descriptions, and practical examples. Certification may provide conceptual knowledge, but role-specific enablement allows people to apply the concepts in their daily work. Change champions can support adoption by translating framework guidance into local practice and by identifying resistance early.

The term “change management” in this context refers to managing organizational change, not only the ITIL practice of change enablement. Both are important yet distinct. Organizational change management prepares people and culture for adoption. Change enablement manages risk associated with changes to products, services, infrastructure, applications, and environments. A successful implementation of the ITIL Version 5 recognizes both dimensions.

Cultural alignment should ultimately produce behavioral change. Teams should collaborate across boundaries, use data in decisions, focus on outcomes, take ownership of value streams, learn from feedback, and improve continuously. When these behaviors become routine, the ITIL Version 5 is no longer seen as a project; rather, it becomes part of how the organization manages digital products and services.

The practical relevance of this concept becomes clearer when viewed through the following two examples:

Example 1: Managing Resistance to Ticket Logging

An IT support team solves requests via calls, emails, and informal messages. When the organization introduces mandatory ticket logging, some team members resist because they see it as administrative work. Leadership

explains the purpose, provides training, simplifies ticket templates, and links ticket data to workload visibility and recognition.

Next Action for the Reader: Address resistance through communication, training, leadership support, and visible benefits.

Example 2: Building a Service-Oriented Culture

A technical team measures success only by system uptime. However, users are unhappy because communication is poor during outages. The organization introduces CX metrics, communication responsibilities, and service ownership roles to shift the culture from technical performance to outcome-based service delivery.

Next Action for the Reader: Align culture with service outcomes, not only technical activities.

Performance Measurement and Success Metrics

Performance measurement is essential for proving whether the ITIL Version 5 implementation is delivering value. Without clear metrics, organizations may confuse implementation activity with implementation success. Creating documents, configuring tools, conducting training, or defining workflows may be necessary, but they do not demonstrate improved outcomes by themselves. Success must be measured through evidence that shows better performance, stronger governance, improved experience, reduced risk, or enhanced capability.

The measurement approach should begin with intended outcomes. If the implementation objective is to improve the CX, metrics should include customer satisfaction, user feedback, complaint trends, resolution quality, and service journey friction. If the objective is operational resilience, metrics may include availability, incident recurrence, major incident duration, problem resolution effectiveness, monitoring coverage, and recovery performance. If the objective is faster digital delivery, metrics may include lead time, deployment frequency, change success rate, rework, and value stream cycle time.

Metrics should be balanced. A narrow set of efficiency metrics can create unintended behavior. For example, measuring only ticket closure speed may encourage premature closure and poor UX. Measuring only change volume may ignore risk and quality. Measuring only the automation rate may

overlook whether automation is solving the right problem. A balanced measurement system should consider outcomes, experience, quality, speed, cost, risk, compliance, sustainability, and learning.

The ITIL Version 5 implementation should define CSFs and Key Performance Indicators (KPIs). CSFs describe what must go well for the implementation to succeed. Examples include executive sponsorship, stakeholder adoption, reliable data, accountable ownership, integrated value streams, effective governance, and continual improvement discipline. KPIs provide measurable evidence related to those success factors. The relationship between CSFs and KPIs ensures that measurement remains connected to the purpose of implementation.

Baselines are critical. Before improvements are introduced, the organization should capture current performance. This may include service desk data, incident trends, change records, supplier performance, customer feedback, audit findings, cost data, and operational risk indicators. Baselines allow improvement teams to demonstrate progress objectively and avoid relying on anecdotal evidence.

Reporting should be designed for different audiences. Executive dashboards should emphasize outcomes, risks, benefits realization, strategic alignment, and investment decisions. Management reports should show value stream performance, practice effectiveness, resource constraints, and improvement progress. Operational dashboards should provide actionable insights for teams, such as backlog, bottlenecks, Service Level Agreement (SLA) performance, automation exceptions, incidents, and recurring issues.

Measurement should also support learning. Poor performance should not be automatically treated as failure, as it may reveal an improvement opportunity. The organization should use metrics to ask better questions: Where is value delayed? Which control is not working? Which handoff creates rework? Which supplier dependency increases risk? Which automation is underperforming? Which stakeholder outcome is not being achieved?

Ultimately, the success of the ITIL Version 5 implementation should be judged by whether the organization can make better decisions and deliver better outcomes. Metrics should create transparency, accountability, and insight. They should allow the organization to manage digital products and services with confidence, not merely produce reports for compliance.

The following two examples show how this concept can be applied in real organizational situations:

Example 1: Measuring Incident Improvement

An organization improves incident management and defines success metrics, such as mean-time-to-restore service, first-contact resolution rate, backlog age, SLA achievement, repeat incidents, and user satisfaction. These metrics are reviewed regularly to confirm whether the process is actually improving.

Next Action for the Reader: Define metrics before implementation so that success can be measured objectively.

Example 2: Measuring Value Stream Performance

A company measures the "new user onboarding" value stream. Metrics include average fulfilment time, number of rework cases, approval delays, user satisfaction, and number of manual hand-offs. This identifies where improvement is needed.

Next Action for the Reader: Use metrics that measure flow, value, quality, experience, and outcomes.

Leveraging Automation and AI in Implementation

Automation and AI can significantly accelerate the ITIL Version 5 implementation when applied with clear purpose and governance. They should not be treated as substitutes for sound management practices, defined value streams, accountable ownership, or reliable data. Instead, they should be used as enablers that improve visibility, consistency, speed, decision support, and stakeholder experience across DPSM.

The first principle is to optimize before automating. Automating a poorly designed workflow can make inefficiency faster and harder to detect. Organizations should first understand the value stream, remove unnecessary steps, clarify ownership, improve data quality, and standardize decision rules. Once the workflow is stable and understood, automation can reduce manual effort, improve control execution, and increase repeatability.

Common automation opportunities include service request fulfillment, password reset, access provisioning, knowledge article suggestions, incident routing, notification management, monitoring alerts, approval workflows, deployment pipelines, evidence collection, SLA reporting, and supplier

performance dashboards. These opportunities should be prioritized based on volume, risk, user impact, repeatability, and expected value.

AI can provide additional capabilities beyond rule-based automation. AI-enabled tools can assist with ticket classification, sentiment analysis, knowledge discovery, root-cause pattern identification, anomaly detection, predictive incident management, capacity insights, service performance analysis, and improvement recommendations. Generative AI (GenAI) can support drafting knowledge articles, summarizing incidents, creating communication templates, and assisting service desk agents. However, AI outputs must be reviewed, governed, and validated, especially where decisions affect risk, security, compliance, or customer commitments.

Data quality is fundamental. AI and automation depend on accurate, complete, timely, and well-structured data. If ticket categories are inconsistent, configuration data is unreliable, service ownership is unclear, or knowledge articles are outdated, automation and AI will produce weak results. Therefore, implementation should include data governance, taxonomy design, ownership rules, knowledge management discipline, and feedback mechanisms.

Governance is also essential. Organizations should define where automation and AI may be used, which decisions require human oversight, how exceptions are handled, how performance is monitored, and how risks are assessed. Ethical, security, privacy, resilience, and compliance considerations should be built into AI-enabled implementation. This is especially important when AI supports prioritization, customer communication, incident response, or risk assessment.

Automation and AI should be measured by outcomes, not novelty. Useful measures include reduced resolution time, improved first-contact resolution, fewer manual errors, better routing accuracy, lower cost-to-serve, improved user satisfaction, increased control compliance, reduced incident recurrence, and faster access to knowledge. Measurement should also track unintended consequences such as poor recommendations, automation failures, user frustration, or over-reliance on AI outputs.

In the ITIL Version 5 implementation, automation and AI should help the organization become more responsive, evidence-driven, and scalable. Their value lies not in replacing the ITIL guidance, but rather in making product and service management more intelligent, integrated, and sustainable.

The practical relevance of this concept becomes clearer when viewed through the following two examples:

Example 1: Automating Service Requests

An organization automates password reset, software installation requests, and access requests through its ITSM portal. Standard requests are routed automatically, approvals are triggered based on predefined rules, and users receive automated status updates.

Next Action for the Reader: Identify high-volume, low-risk, and repeatable activities suitable for automation.

Example 2: Using AI for Ticket Classification

A service desk receives thousands of tickets every month. AI is introduced to classify tickets, suggest categories, recommend knowledge articles, identify duplicate incidents, and support faster routing to the right resolver group.

Next Action for the Reader: Use AI to improve speed and accuracy, but ensure human oversight for high-risk decisions.

Building Long-term Capability and Sustainability

The ITIL Version 5 implementation should not end when the initial practices are documented or the first improvement projects are completed. The long-term objective is to build enduring organizational capability. Capability refers to the organization's ability to consistently manage digital products and services to create value, control risk, improve experience, adapt to change, and sustain performance over time.

Long-term capability begins with ownership. Products, services, practices, value streams, data, tools, and improvement initiatives require accountable owners. Without ownership, performance issues remain unresolved, documentation becomes outdated, metrics lose meaning, and improvement activities lose momentum. Clear ownership should be supported by role descriptions, decision rights, escalation paths, competency expectations, and governance routines.

Capability also depends on knowledge. Organizations should maintain a structured knowledge base that supports users, service desk agents, technical teams, product teams, suppliers, and governance stakeholders. Knowledge should include procedures, known errors, workarounds, service information,

value stream documentation, training materials, policy guidance, lessons learned, and improvement records. Knowledge management is not merely a support activity; rather, it is a foundation for consistency, resilience, onboarding, and automation.

Skills development must continue beyond initial certification. Teams need practical competence in value stream mapping, practice operation, performance analysis, automation, AI-enabled service management, stakeholder engagement, governance reporting, supplier coordination, risk management, and continual improvement. Role-based learning paths, communities of practice, coaching, simulations, and post-implementation reviews can help embed capability into the organization.

Sustainability should be understood in a broad sense. It includes sustaining implementation benefits, maintaining operational resilience, managing technical debt, using resources responsibly, supporting employee capability, and considering environmental and social impacts where relevant. Digital products and services must be designed and operated not only for short-term delivery but also for long-term viability.

Governance mechanisms should ensure that capability remains current. Periodic maturity assessments, performance reviews, audit findings, stakeholder feedback, supplier reviews, risk assessments, and improvement backlog reviews can indicate whether capability is improving or degrading. The organization should also monitor external influences such as market changes, regulation, technology shifts, security threats, AI developments, and customer expectations.

Scaling is another aspect of sustainability. After initial success, the organization should decide how to extend the ITIL Version 5 implementation across additional products, services, locations, suppliers, or value streams. Scaling should be based on proven patterns, reusable templates, trained champions, reliable metrics, and governance support. It should not simply replicate documentation; rather, it should transfer learning and adapt to context.

The final measure of long-term capability is institutionalization. ITIL Version 5 should become a part of how the organization plans, governs, designs, delivers, supports, measures, and improves digital products and services. When this happens, the framework is no longer seen as an external

requirement; rather, it becomes an internal capability for sustainable value creation.

The following two examples illustrate how this concept can be applied in practice and how it can help organizations to decide their next course of action:

Example 1: Developing Internal ITIL Champions

An organization trains selected employees from different teams as ITIL champions. These champions support process adoption, coach colleagues, identify improvement opportunities, and sustain momentum after the initial implementation project ends.

Next Action for the Reader: Build internal capability so that ITIL adoption does not depend only on external consultants.

Example 2: Integrating the ITIL into Operating Routines

A company embeds the ITIL practices into daily, weekly, and monthly management routines. Daily stand-ups review operational issues, weekly meetings review service performance, and monthly governance forums review risks, improvements, and strategic alignment.

Next Action for the Reader: Make the ITIL part of normal management discipline rather than treating it as a one-time project.

The practical message for the reader is simple: Do not stop at certification. Use the ITIL Version 5 knowledge to assess the current state, identify business priorities, secure sponsorship, tailor practices, optimize value streams, measure outcomes, apply automation wisely, and build long-term capability.

This is how the ITIL Version 5 moves from learning to implementation, and from implementation to sustained organizational value.

Conclusion

Implementation is the point at which ITIL Version 5 moves from learning to organizational value. The successful organization does not attempt to adopt every concept at once. It assesses readiness, defines priorities, secures governance support, tailors guidance to context, designs measurable value streams, and embeds continual improvement into everyday work.

The real test of implementation is not whether the organization can describe the ITIL, but whether it can use the ITIL Version 5 to make better decisions, improve stakeholder outcomes, manage risk, and sustain digital product and service performance over time.

By completing this book, readers will have developed a structured understanding of ITIL Version 5 and its role in modern DPSM. The journey has extended beyond certification preparation to include practical implementation guidance, value stream thinking, governance alignment, continual improvement, automation, and AI-enabled service management. Readers are now equipped not only to understand ITIL terminology and concepts but also to apply them strategically within real organizational environments to improve service quality, operational resilience, stakeholder experience, and business outcomes.

This book has also highlighted that the ITIL Version 5 is not merely an evolution of traditional IT service management. It reflects a broader shift toward integrated digital product and service ecosystems, where organizations must balance agility, governance, automation, sustainability, CX, and continual innovation. The reader should now recognize that successful service management is no longer confined to operational support functions alone; rather, it has become a strategic capability influencing enterprise growth, digital trust, resilience, and competitive advantage.

Looking ahead, the future of the ITIL and DPSM will be strongly influenced by AI, hyper-automation, predictive analytics, autonomous operations, platform-based delivery models, and experience-centric management approaches. Organizations will increasingly rely on AI-enabled decision support, intelligent workflow orchestration, real-time service insights, and integrated governance frameworks to manage growing digital complexity. Sustainability, digital trust, cybersecurity resilience, privacy, and ethical AI governance will also become increasingly important components of service management strategy.

Future ITSM environments are expected to become more proactive, data-driven, adaptive, and outcome-oriented. The traditional distinction between business and IT will continue to diminish as digital products and services become central to organizational value creation. Professionals who combine ITIL knowledge with strategic thinking, automation capability, governance

understanding, and continual improvement discipline will be well-positioned to lead this transformation.

The completion of this book should therefore not be viewed as the end of the learning journey, but rather as the beginning of a deeper professional capability in managing and governing digital products and services in an increasingly intelligent and interconnected world.

Multiple Choice Questions

1. What is the primary objective of moving from certification to practical application in ITIL Version 5?
    a. To memorize all ITIL terminology
    b. To implement all ITIL practices without modification
    c. To apply ITIL concepts to improve real organizational outcomes
    d. To prepare for advanced certification exams
2. Why is assessing organizational readiness important before ITIL implementation?
    a. To ensure all tools are fully automated
    b. To identify whether the organization can effectively adopt and sustain changes
    c. To eliminate the need for governance
    d. To reduce the need for stakeholder involvement
3. What is the most effective approach when defining the scope of ITIL implementation?
    a. Implement all practices across the organization simultaneously
    b. Focus only on documentation of processes
    c. Prioritize based on business value, risk, and feasibility
    d. Restrict implementation to IT teams only
4. In ITIL Version 5, why is tailoring important during implementation?
    a. To strictly follow the official framework without deviation
    b. To reduce the number of stakeholders involved

c. To adapt ITIL practices to organizational context, culture, and needs
d. To avoid governance requirements

5. What is the key principle when leveraging automation and AI in the ITIL implementation?
    a. Automate all processes immediately
    b. Use AI to replace all human decision-making
    c. Optimize processes before automating them
    d. Focus only on cost reduction

Answers

1. c
2. b
3. c
4. c
5. c

Questions

1. How should organizations ensure that theoretical knowledge translates into measurable business outcomes?
2. What factors should be considered in assessing organizational readiness and maturity before initiating ITIL Version 5 implementation?
3. Explain the role of business priorities, risk, and value in determining implementation scope.
4. How does governance alignment influence the success of implementation initiatives?
5. What are the risks of over-engineering and under-controlling ITIL practices?
6. How do value streams improve end-to-end service delivery?

7. Why should continual improvement be embedded into organizational culture, and not be treated as a one-time initiative?
8. How can organizations overcome resistance to change?
9. How do KPIs and CSFs help in evaluating success?
10. What precautions should organizations take when adopting automation and AI in ITIL implementation?

Key Terms

- **Practical Application of ITIL:** The process of translating ITIL concepts into real organizational improvements. It focuses on delivering measurable outcomes rather than theoretical compliance.
- **Organizational Readiness:** The extent to which an organization is prepared to adopt ITIL practices. It includes leadership support, skills, governance, tools, and cultural alignment.
- **Maturity Assessment:** A structured evaluation of how effectively ITSM practices are performed. It helps identify gaps and prioritize improvement initiatives.
- **Implementation Scope:** The defined boundaries of ITIL adoption within an organization. It determines which services, value streams, or units are included in the initiative.
- **Executive Sponsorship:** Active support and involvement of senior leadership in ITIL implementation. It ensures resource allocation, strategic alignment, and organizational commitment.
- **Governance Alignment:** The integration of ITIL implementation with organizational decision-making structures. It ensures that initiatives support business objectives and are properly monitored.
- **Tailoring ITIL:** The adaptation of ITIL practices to suit organizational context and needs. It prevents unnecessary complexity while maintaining control and effectiveness.
- **Value Streams:** End-to-end sequences of activities that deliver value to stakeholders. They connect multiple practices and lifecycle activities into coherent workflows.
- **Continual Improvement:** An ongoing effort to enhance services, processes, and outcomes. It is embedded into daily operations rather

than treated as a separate project.

- **Automation and AI in ITSM:** The use of technology to improve efficiency, accuracy, and decision-making. It enhances service management but requires strong data quality and governance.

APPENDICES

Appendix A

Last-minute Revision for 'Recall'/'Define' (Level 1)

- **Agentic AI:** Artificial Intelligence (AI) systems that are designed to act on behalf of users by autonomously performing predefined tasks within agreed boundaries while remaining subject to human oversight and governance.
- **AI Governance:** The system by which an organization directs, controls, and monitors the use of AI to ensure that AI-enabled digital products and services create value while remaining ethical, secure, compliant, and aligned with organizational objectives.
- **AI Maturity:** Extent to which an organization can effectively, responsibly, and consistently use AI capabilities to support its objectives, including governance, data quality, skills, processes, and ethical considerations.
- **Artificial Intelligence (AI):** The capability of digital systems to perform tasks that normally require human intelligence, such as learning from data, recognising patterns, making predictions, or supporting decision-making.
- **Change:** The addition, modification, or removal of anything that could have a direct or indirect effect on products and services.
- **Complexity Thinking:** An approach to analysis and decision-making based on the recognition and understanding of the various levels of complexity inherent in the systems and the context in which they operate.
- **Continual Improvement:** A recurring organizational activity performed at all levels of an organization to ensure that the organization continually meets stakeholders' expectations.

- **Continuous Delivery (CD):** A set of techniques and tools that enable software updates to be deployed to production at any time. Frequent deployments are possible, yet deployment decisions are taken on a case-by-case basis, usually because organizations prefer a slower rate of deployment.
- **Continuous Integration (CI):** A set of techniques and tools that enable developers to frequently merge their code changes into a central repository, followed by automated builds and tests.
- **Core Value Stream:** A value stream that enables value for consumers in a form intended by the organization's operating model.
- **Cost:** The amount of money spent on a specific activity, resource, product, or service.
- **Customer:** The role that defines the requirements for products and services and takes responsibility for the outcomes of service consumption.
- **Customer Experience (CX):** The sum of functional and emotional interactions with the service and service provider as perceived by a service customer.
- **Digital Product:** A combination of an organization's resources based on digital technology and design to offer value to consumers.
- **Digital Product and Service Management (DPSM):** A set of specialized organizational capabilities for enabling value for customers in the form of digital products and services.
- **Digital Product Vendor:** An organization responsible for the creation and continual improvement of digital products and related service offerings.
- **Digital Service:** A service that fully or largely relies on digital products.
- **Digital Transformation:** The strategic adoption and integration of digital technologies into all areas of an organization, fundamentally changing how the organization operates and creates value for customers and other stakeholders.
- **Enabling Value Stream:** A value stream that enables value for internal customers to support the organization’s core value streams.

- **Event:** Any change of state that has significance for the management of a service or other configuration item.
- **Generative AI (GenAI):** AI systems that can create new content, such as text, images, code, or other outputs, based on patterns learned from existing data.
- **Goods:** Tangible resources that are transferred or available for transfer from a service provider to a service consumer, together with ownership and associated rights and responsibilities.
- **Governance:** The system by which an organization is directed and controlled.
- **Incident:** An unplanned interruption to a service or reduction in the quality of a service.
- **Mission:** A short yet complete description of the overall purpose and intentions of an organization.
- **Organization:** A person or a group of people that has its own functions with responsibilities, authorities, and relationships to achieve its objectives.
- **Outcome:** A result for stakeholders enabled by one or more outputs.
- **Output:** A tangible or intangible deliverable of an activity.
- **Product:** A configuration of an organization's resources designed to offer value for a consumer **.**
- **Release:** A version of a product, service, or other configuration item, or a collection of configuration items that is made available for use.
- **Reliability:** The ability of a product, service, or other configuration item to perform its intended function for a specified period of time or number of cycles.
- **Risk:** A possible event that could cause harm or loss or make it more difficult to achieve objectives **.**
- **Service:** A means of enabling value co-creation by facilitating outcomes that consumers want to achieve without the consumer having to manage specific costs and risks.
- **Service Action:** An action performed by a service provider or jointly by a service provider and a service consumer **.**

- **Service Consumer:** An organization responsible for the procurement and use of services.
- **Service Journey:** The sum of the activities and interactions performed by organizations engaged in service relationships to fulfil their roles as a service provider and a service consumer.
- **Service Level:** A set of metrics that define expected or achieved service quality.
- **Service Level Agreement (SLA):** A documented agreement between a service provider and a customer that identifies the services provided and the agreed level of each service.
- **Service Experience:** The sum of the functional and emotional interactions with a service and provider as perceived by a stakeholder.
- **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 Provider:** An organization responsible for delivery and supportive services.
- **Service Quality:** The sum of the characteristics of a service that are relevant to its ability to satisfy stated and implied needs.
- **Site Reliability Engineering (SRE):** A discipline that incorporates aspects of software engineering and applies them to infrastructure and operations problems. The main goal is to create scalable and highly reliable software systems.
- **Sponsor:** The role that authorizes the budget for service consumption.
- **Sustainability: T** he assurance that a product or service meets and will continue to meet its requirements for environmental stewardship, social progress, and economic growth.
- **User:** The role that uses services.
- **User Experience (UX):** The sum of the functional and emotional interactions with the service and service provider as perceived by a service user.
- **Utility:** The functionality offered by a product or service to meet a particular need. Utility can be summarised as what the service does and can be used to determine whether the service is fit for purpose. To

have utility, a service must either support the consumer's performance or remove constraints from the consumer. Many services do both.

- **Value:** The perceived benefits, usefulness, and importance of something.
- **Value Chain:** An entire set of activities that enables value through the provision of a product or service.
- **Value Stream:** A series of steps that an organization uses to create and deliver products and services to a service consumer.
- **Vision:** A defined aspiration of what an organization would like to become in the future.
- **Warranty:** The assurance that a product or service will meet the agreed requirements. Warranty can be summarised as how the service performs and can be used to determine whether the 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, a marketing message, or a brand image. Warranty typically addresses areas such 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 to find, and agreed conditions are met.
- **Purpose of the "Discover" Activity** : To identify needs, opportunities, demand, and possible value before a product or service is designed or changed.
- **Purpose of the "Design" Activity** : To structure the product or service so it can meet stakeholder needs and support expected outcomes.
- **Purpose of the "Acquire" Activity** : To obtain the required resources, components, products, services, or supplier capabilities.
- **Purpose of the "Build" Activity:** To create, configure, develop, and integrate product or service components.
- **Purpose of the "Deliver" Activity:** To make products and services available to consumers and enable agreed outcomes.
- **Purpose of the "Operate" Activity:** To keep live products and services running reliably and effectively.

- **Purpose of the "Support" Activity:** To respond to user needs, incidents, problems, service requests, and resilience-related issues.
- **Purpose of "Transition" Activity:** To move new or changed products and services into controlled environments through release, testing, and deployment.
- **Four Dimensions:**
    - Organizations and People,
    - Information and Technology,
    - Partners and Suppliers, and
    - Value Streams and Processes.
- **PESTLE Items:**
    - Political,
    - Economical,
    - Social,
    - Technology,
    - Legal, and
    - Environmental.
- **Basic Service Relationship:** A service relationship with limited interaction, where the provider delivers the service, and the consumer uses it with minimal joint activity.
- **Cooperative Service Relationship:** A relationship where provider and consumer coordinate, share information, and work together to improve service outcomes.
- **Collaborative Service Relationship:** A deeper service relationship where provider and consumer jointly plan, improve, and co-create value.
- **Value Co-creation:** The joint creation of value by service providers, service consumers, and other stakeholders through products and services.
- **Service Interactions:** The interactions that occur within a service offering, including service actions, access to resources, and transfer of goods.

- **Transformation as per ITIL:** A significant organizational change that alters how an organization works, delivers products or services, or creates value.
- **Business as Usual (BAU):** The normal, ongoing operation of an organization, product, service, or activity.
- **Strategy in the ITIL Context:** The approach an organization adopts to achieve its goals through chosen actions and allocation of resources.
- **Experience Level Agreement (XLA):** An agreement focused on the experience expected or perceived by users, customers, or stakeholders.
- **Human-Centered Design:** A practical, human-centred approach used by product and service designers to create solutions that meet organizational and customer needs.
- **Business Strategy:** The direction and approach used by an organization to achieve its business objectives.
- **Digital Strategy:** The organization's approach for using digital technology and digital capabilities to achieve goals and create value.
- **VUCA Items:**
    - Volatility,
    - Uncertainty,
    - Complexity, and
    - Ambiguity

  in the organization's environment.
- **Leadership:** The ability to guide, influence, and enable people to achieve shared objectives.
- **Benefits of the ITIL:**
    - **For enterprises,** ITIL supports alignment, governance, and value creation **.**
    - **For managed service providers** , it supports consistent and measurable service delivery.
    - **For digital product vendors** , it supports the creation and continual improvement of digital products and related services **.**

    - **For professionals,** it supports capability development, certification, and application of digital product and service management **.**
- **ITIL Product and Service Lifecycle:** A lifecycle that explains how products and services are discovered, designed, acquired, built, transitioned, operated, delivered, supported, and continually improved.
- **ITIL Value System Components and Their Roles:** The components are as follows:
    - Guiding principles,
    - Governance,
    - Value chain,
    - Management practices, and
    - Continual improvement.

  Their role is to help the organization to create value through coordinated activities and capabilities.
- **ITIL Guiding Principles:**
    - Focus on value.
    - Start where you are.
    - Progress iteratively with feedback.
    - Collaborate and promote visibility.
    - Think and work holistically.
    - Keep it simple and practical.
    - Optimize and automate.
- **Product Specification:** A documented description of the properties, requirements, and characteristics of a product, service, or configuration item.
- **Product Prototype:** An initial version of a product or service used to demonstrate form, functionality, and operational capability before full development or release.
- **Value Stream Mapping:** The activity of visualizing the steps, flow, dependencies, and delays involved in creating and delivering value.

- **Value Stream Management:** The ongoing management and improvement of value streams to optimize flow, performance, and value delivery.
- **Purpose of Value Stream Mapping and Management:** To identify, analyze, visualize, and improve the way workflows are designed, so that the products and services are delivered efficiently and aligned with stakeholder expectations.
- **Define the ITIL Product and Service Lifecycle:** The ITIL Product and Service Lifecycle is the model for managing products and services through:
    - Discover,
    - Design,
    - Acquire,
    - Build,
    - Transition,
    - Operate,
    - Deliver, and
    - Support.

These activities are iterative, not always linear.

Appendix B

Management Practice and Purpose

- **Architecture Management Practice** : The practice of providing an understanding of all the different elements that make up an organization and how those elements relate to one another.
- **Availability Management Practice:** The practice of ensuring that services deliver agreed levels of availability to meet the needs of customers and users.
- **Business Analysis Practice:** The practice of analyzing a business or some element of a business, defining its needs, and recommending

solutions to address these needs and/or solve the business problem and create value for stakeholders.

- **Capacity and Performance Management Practice:** The practice of ensuring that services achieve agreed and expected performance levels, satisfying current and future demand economically.
- **Change Enablement Practice:** The practice of ensuring that risks are properly assessed, authorizing changes to proceed, and managing a change schedule to maximise the number of successful service and product changes.
- **Continual Improvement Practice:** The practice of aligning an organization's practices and services with changing business needs through the ongoing identification and improvement of all elements involved in the effective management of products and services.
- **Deployment Management Practice:** The practice of moving new or changed hardware, software, documentation, processes, or any other service component to one of the controlled environments.
- **Incident Management Practice:** The practice of minimizing the negative impact of incidents by restoring normal service operation as quickly as possible.
- **Information Security Management Practice:** The practice of protecting an organization by understanding and managing risks to the confidentiality, integrity, and availability of information.
- **Infrastructure and Platform Management Practice** : The practice of overseeing the infrastructure and platforms used by an organization. This enables monitoring of the available technology solutions, including solutions from third parties.
- **IT Asset Management Practice:** The practice of planning and managing the full life cycle of all IT assets.
- **Knowledge Management Practice:** The practice of maintaining and improving the effective, efficient, and convenient use of information and knowledge across an organization.
- **Measurement and Reporting Practices:** The practice of supporting good decision-making and continual improvement by decreasing levels of uncertainty.

- **Monitoring and Event Management Practice:** The practice of systematically observing services and service components and recording and reporting selected changes of state identified as events.
- **Organizational Change Management Practice:** The practice of ensuring that changes in an organization are smoothly and successfully implemented and that lasting benefits are achieved by managing the human aspects of the changes.
- **Portfolio Management Practice:** The practice of ensuring that an organization has the right mix of programs, projects, products, and services to execute its strategy within its funding and resource constraints.
- **Problem Management Practice:** The practice of reducing the likelihood and impact of incidents by identifying actual and potential causes of incidents and managing workarounds and known errors.
- **Project Management Practice:** The practice of ensuring that an organization's projects are successfully delivered.
- **Relationship Management Practice:** The practice of establishing and nurturing links between the organization and its stakeholders at strategic and tactical levels.
- **Release Management Practice:** The practice of making new and changed services and features available for use.
- **Risk Management Practice:** The practice of ensuring that an organization understands and effectively handles risks.
- **Service Catalogue Management Practice:** The practice of providing a single source of consistent information on all services and service offerings, ensuring that it is available to the relevant audience.
- **Service Configuration Management Practice:** The practice of ensuring that accurate and reliable information about the configuration of services and the configuration items that support them is available when and where needed.
- **Service Continuity Management Practice:** The practice of ensuring that service availability and performance are maintained at a sufficient level in case of a disaster.

- **Service Design Practice:** The practice of designing products and services that are fit for purpose, fit for use, and that can be delivered by the organization and its ecosystem.
- **Service Desk Practice:** The practice of providing the entry point and single point of contact with the service provider for all users and capturing demand for incident resolution and service requests.
- **Service Financial Management Practice:** The practice of supporting an organization's strategies and plans for service management by ensuring that the organization's financial resources and investments are being used effectively.
- **Service Level Management Practice:** The practice of setting clear business-based targets for service performance so that the delivery of the service can be properly assessed, monitored, and managed against these targets.
- **Service Request to Management Practice** : The practice of supporting the agreed quality of the service by handling all predefined user-initiated service requests in an effective and user-friendly manner.
- **Service Validation and Testing Practice:** The practice of ensuring that new or changed products and services meet defined requirements.
- **Software Development and Management Practice:** The practice of ensuring that applications meet stakeholder needs in terms of functionality, reliability, maintainability, compliance, and auditability.
- **Strategy Management Practice:** The practice of formulating the goals of an organization and adopting the courses of action and allocation of resources necessary for achieving those goals.
- **Supplier Management Practice** : The practice of ensuring that an organization's suppliers and their performance levels are managed appropriately to support the provision of seamless quality products and services.
- **Workforce and Talent Management Practice:** The practice of ensuring that an organization has the right people, with the appropriate skills and knowledge, and in the correct roles to support its business objectives.

Appendix C

Rest of the Glossary

- **Acceptance Criteria:** A list of minimum requirements that a service or service component must meet for it to be acceptable to key stakeholders.
- **Architecture Principles:** A set of norms and rules for the use and deployment of all resources and assets across an organization.
- **Asset Register:** A database or list of assets capturing key attributes such as ownership and financial value.
- **Availability:** The ability of an IT service or other configuration item to perform its agreed function when required.
- **Band of Visibility:** The sum of the aspects of the service consumer organizations visible to the service provider and the aspects of the service provider organizations visible to the service consumer.
- **Baseline:** A report or metric that serves as a starting point against which progress or change can be assessed.
- **Best Practice:** A way of working that has been proven to be successful by multiple organizations.
- **Big Data:** The use of very large volumes of structured and unstructured data from a variety of sources to gain new insights.
- **Business Case:** A justification for expenditure of organizational resources, providing information about costs, benefits, options, risks, and issues.
- **Business Impact Analysis (BIA):** A key activity in the practice of service continuity management that identifies vital business functions and their dependencies.
- **Business Relationship Manager (BRM):** A role responsible for maintaining good relationships with one or more internal customers.
- **Capability:** The ability of an organization, person, process, application, configuration item, or IT service to carry out an activity.
- **Change Authority:** A person or group responsible for authorizing a change.

- **Change Model:** A reputable approach to the management of a particular type of change.
- **Change Schedule:** A calendar that shows planned and historical changes.
- **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.
- **Compliance:** The act and result of ensuring that a standard or set of guidelines is followed, where proper and consistent accounting or other practices are being employed.
- **Confidentiality:** A security objective that ensures information is not made available or disclosed to unauthorised entities.
- **Configuration:** An arrangement of configuration items, CIs, or other resources that work together to deliver a product or service can also be used to describe the parameter settings for one or more CIs.
- **Configuration Item (CI):** Any product, service, or component that is within the scope of the configuration management practice. Configuration items typically include hardware, software, networks, building suppliers, products, services, and documentation.
- **Configuration Management Database (CMDB**): A database used to store configuration records throughout their life cycle. The CMDB also maintains the relationships between configuration records.
- **Configuration Management System (CMS):** A set of tools, data, and information that is used to support service configuration management.
- **Configuration Record:** A record containing the details of a Configuration Item (CI). Each configuration record documents the lifecycle of a single CI. Configuration records are stored in a configuration management database.
- **Continuous Deployment:** A set of techniques and tools that enables every change that passes automated tests to be automatically deployed to production without additional authorization. Continuous deployment relies on continuous delivery.

- **Cost Centre:** A business unit or project to which costs are assigned.
- **Critical Success Factor (CSF):** A necessary precondition for the achievement of intended results.
- **Culture:** A set of values shared by a group of people expressed through people's behaviour and their ideas, beliefs, and practices.
- **Cycle Time:** The time it takes to complete one specific step of the value stream.
- **Dashboard:** A real-time graphical representation of data.
- **Data Governance:** A system of rules, policies, standards, processes, and controls that organizations implement to manage their data assets effectively.
- **Deliver and Support:** The value chain activity that ensures services are delivered and supported according to agreed specifications and stakeholders' expectations.
- **Deployment:** The movement of any service component into a controlled environment.
- **Design Thinking:** A practical and human-centred approach used by product and service designers to solve complex problems and find practical and creative solutions that meet the needs of an organization and its customers.
- **Development Environment** : An environment used to create or modify IT services or applications.
- **DevOps:** A cultural and professional movement that stresses communication, collaboration, and integration between software developers and IT operations professionals. While automating the process of software delivery and infrastructure changes. It aims at establishing a culture and environment where building, testing, and releasing software can happen rapidly, frequently, and more reliably.
- **Disaster:** A sudden unplanned event that causes great damage or serious loss to an organization. A disaster results in an organization failing to provide critical business functions for some predetermined minimum period of time.
- **Disaster Recovery (DR) Plans:** A set of clearly defined plans related to how an organization will recover from a disaster as well as return to

a pre-disaster condition, considering the four dimensions of product and service management.

- **Effectiveness:** A measure of whether the objectives of a practice, service or activity have been achieved.
- **Efficiency:** A measure of whether the right amount of resources has been used by a practice, service, or activity.
- **Environment:** A subset of the IT infrastructure that is used for a particular purpose, for example, a live environment or test environment, can also mean the external conditions that influence or affect something.
- **Error:** A flaw or vulnerability that may cause incidents.
- **Escalation:** The act of sharing awareness or transferring ownership of a work item.
- **External Customer:** A customer who works for an organization other than the service provider.
- **Feedback:** Information about stakeholder reactions and opinions, which is used as a basis for improvement.
- **Feedback Loop:** A term commonly used to refer to a situation where part of the output of an activity is used for new input.
- **Flow Efficiency:** A metric that indicates the percentage of cycle time (or value-added time) in the lead time.
- **Four Dimensions of Product and Service Management:** The four perspectives that are critical to the effective and efficient facilitation of value for customers and other stakeholders in the form of products and services.
- **Governance of Digital Technology:** A human-based system by which the current and future use of digital technology is governed. The system comprises directing, overseeing, and accountability.
- **Information and Technology:** One of the four dimensions of product and service management, which addresses data, information, and technologies used in digital products and services, as well as those used as part of the organization's product and service management systems.

- **Information Security Policy:** The policy that governs an organization's approach to information security management.
- **Integrity:** A security objective that ensures information is only modified by authorised personnel and activities.
- **Internal customer:** A customer who works for the same organization as the service provider.
- **Internet of Things (IoT):** A network of physical devices embedded with sensors, software, and other technologies that enable them to connect and exchange data with other devices and systems over the Internet or other communication networks.
- **Interoperability:** The ability of computer systems or software from different vendors to operate together and exchange and make use of information.
- **IT Asset:** Any financially valuable component that can contribute to the delivery of an IT product or service.
- **IT Infrastructure:** All of the hardware, software, networks, and facilities that are required to develop, test, deliver, monitor, manage, and support IT services.
- **ITIL:** A framework and best practice guidance for digital product and service management.
- **ITIL Continual Improvement Model:** A model that provides organizations with a structured approach to planning and implementing improvements.
- **ITIL Guiding Principles:** Recommendations that can guide an organization in all circumstances, regardless of changes and its goals, strategies, type of work, or management structure.
- **ITIL Value System (VS):** A model representing how all the components and activities of an organization work together to facilitate value creation through digital products and services.
- **KANBAN:** A method for visualising work, identifying potential blockages and resource conflicts, and managing work in progress.
- **Key Performance Indicator (KPI):** An important metric used to evaluate the success in meeting an objective.
- **Known Error:** A problem that has been analyzed but not resolved.

- **Lead Time:** The total time from initiation of the value stream workflow to delivery of the intended outputs.
- **Lean:** An approach that focuses on improving workflows by maximising value through the elimination of waste.
- **Life Cycle:** The full set of stages, transitions, and associated statuses in the life of a service, product, practice, or other entity.
- **Live:** Refers to a service or other configuration item operating in a live environment.
- **Live Environment:** A controlled environment used in the operation of digital products and delivery of digital services to service consumers.
- **Maintainability:** The ease with which a service or other entity can be repaired or modified.
- **Major Incident:** An incident with significant business impact requiring an immediate coordinated resolution.
- **Management Practice:** A set of organizational resources and capabilities designed and adopted for performing work or accomplishing an objective.
- **Management System:** A system of interconnected elements that establishes policy and objectives and enables the achievement of those objectives.
- **Maturity:** A measure of the reliability, efficiency, and effectiveness of an organization, practice, or process.
- **Metric:** A measurement or calculation that is monitored or reported for management and improvement.
- **Minimum Viable Product (MVP):** A product with just enough features to satisfy early customers and to provide feedback for future product development.
- **Model:** A representation of a system, practice, process, service, or other entity that is used to understand and predict its behaviour and relationships.
- **Modelling:** The activity of creating, maintaining, and utilising models.
- **Monitoring:** Repeated observation of a system, practice, process, service, or other entity to detect events and to ensure that the current

status is known.

- **Observability:** The ability to understand the internal state of a complicated system by analysing its external outputs such as metrics, logs, and traces.
- **Operating Model:** A conceptual and/or visual representation of how an organization Co-creates value with its customers and other stakeholders, as well as how the organization runs itself.
- **Operation:** The routine running and management of an activity, product, service, or other configuration item.
- **Operational Technology:** The hardware and software solutions that detect or cause changes in physical processes through direct monitoring and/or control of physical devices such as valves, pumps, and so on.
- **Organization's Purpose:** Describes what an organization does for its consumers and other stakeholders, and why.
- **Organizational Resilience:** The ability of an organization to anticipate, prepare for, respond to, and adapt to unplanned external influences.
- **Organizational Velocity** : The speed, effectiveness, and efficiency with which an organization operates. Organizational velocity influences time to market, quality, safety, costs, and risks.
- **Organizations and People:** One of the four dimensions of product and service management. It ensures 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.
- **Outsourcing:** The process of having external suppliers provide products and services that were previously provided internally.
- **Partners and Suppliers:** One of the four dimensions of product and service management, which encompasses the relationships an organization has with other organizations that are involved in the design, development, deployment, delivery, support, and/or continual improvement of services.

- **Partnership:** A relationship between two organizations that involves working closely together to achieve common goals and objectives.
- **Performance:** A measure of what is achieved or delivered by a system, person, team, practice, or service.
- **Pilot:** A test implementation of a service with a limited scope in a live environment.
- **Policy** : Formally documented management expectations and intentions used to direct decisions and activities.
- **Problem:** A cause or potential cause of one or more incidents.
- **Procedure:** A documented way to carry out an activity or a process.
- **Process:** A set of interrelated or interacting activities that transform inputs into outputs. Processes define the sequence of activities and their dependencies.
- **Product and Service Management Activities:** Activities performed by organizations to manage digital products and services through their life cycle. Each of these activities is enabled and supported by several management practices.
- **Product and Service Portfolio:** A complete set of products and services that are managed throughout their life cycles by an organization.
- **Product/Service Prototype:** An initial version of a product or service that demonstrates its basic form, functionality, and operational capabilities. It is used to test and refine products or services, design, and functionality, and test hypotheses. Prototypes vary in complexity and purpose, ranging from visual mock-ups to fully functional models.
- **Product/Service Specification:** A detailed document that outlines critical aspects, requirements, and characteristics of a product or service to be built. It typically includes descriptions of the products, features, functionalities, technical requirements, performance criteria, and user interface details.
- **Production Environment:** Same as “Live Environment.”
- **Program:** A set of related projects and activities and an organizational structure created to direct and oversee them.

- **Project:** A temporary structure that is created for the purpose of delivering one or more business products according to an agreed business case.
- **Quick Win:** An improvement that is expected to provide a return on investment in a short period of time with relatively small cost and effort.
- **Record:** A document stating results achieved and providing evidence of activities performed.
- **Recovery:** The activity of returning a configuration item to normal operation after a failure.
- **Request Catalogue:** A view of the Service Catalogue providing details on service requests for existing and new services, which is made available to the user.
- **Request for Change (RfC):** A description of a proposed change submitted by a stakeholder.
- **Resolution:** The action of solving an incident or problem.
- **Resource:** Personnel, material, finance, or other entity that is required for the execution of an activity or the achievement of an objective. Resources used by an organization may be owned by the organization or used according to an agreement with a resource owner.
- **Retire:** The act of permanently withdrawing a product, service, or other configuration item from use.
- **Risk Assessment:** An activity to identify, analyse and evaluate risks.
- **Safety Culture:** An organizational culture in which people are comfortable being and expressing themselves.
- **Service Architecture:** A view of all the services provided by an organization. It includes interactions between the services and service models that describe the structure and dynamics of each service.
- **Service Catalogue:** Structured information about all the services and service offerings of a service provider relevant for a specific target audience.
- **Service Consumption:** Activities performed by an organization to consume services. It includes the management of the consumer's

resources needed to use the service, service actions performed by users, and the receiving or acquiring of goods if required.

- **Service Provision:** Activities performed by an organization to provide services. It includes management of providers, configured resources to deliver the service, ensuring access to these resources for users, fulfilment of the agreed service actions, service level management, and continual improvement. It may also include the supply of goods.
- **Service Relationship:** A co-operation between a service provider and a service consumer. Service relationships include service provision, service consumption, and service relationship management.
- **Service Relationship Management:** Joint activities performed by a service provider and a service consumer to ensure continual value. Co-creation is based on a need and available service offerings.
- **Service Request:** A request from a user or a user's authorised representative that initiates a service action which has been agreed as a normal part of service delivery.
- **Service Value:** The perceived benefits, usefulness, and importance of a service.
- **Sourcing:** The activity of planning and obtaining resources from a particular source type, which could be internal or external, centralised, or distributed, and open or proprietary.
- **Specification:** A documentary description of the properties of a product, service, or other configuration item.
- **Stakeholder:** A person or organization that has an interest or involvement in an organization, product, service, practice, or other entity.
- **Standard:** A document established by consensus and approved by a recognised body that provides for common and repeated use, mandatory requirements, guidelines, or characteristics for its subject.
- **Standard Change:** A low-risk pre-authorised change that is well understood and fully documented and which can be implemented without needing additional authorization.
- **Status:** A description of the specific States and annuity can be held at a given time.

- **Supplier:** An organization responsible for supplying goods and providing services that are used by another organization.
- **Support Team:** A team with the responsibility to maintain normal operations, address users' requests, and resolve incidents and problems related to specified products, services, or other configuration items.
- **Swarming:** A technique for solving various complex tasks in which multiple people with different areas of expertise work together on a task until it becomes clear which competencies are the most relevant and needed.
- **System:** A combination of interacting elements organised and maintained to achieve one or more stated purposes.
- **Systems Thinking:** A holistic approach to analysis that focuses on the way that a system's constituent parts work, interrelate, and interact over time and within the context of other systems.
- **Technical Debt:** The implied cost of additional rework caused by choosing an easy solution now instead of a better approach that would take longer.
- **Test Environment:** A controlled environment established to test products, services, and other configuration items.
- **Testing:** The activity in which a system or component is executed under specified conditions, the results are observed or recorded, and an evaluation of some aspect or component of the system is made.
- **Third Party:** A stakeholder external to an organization.
- **Throughput:** A measure of the amount of work performed by a product, service, or other system over a given period of time.
- **Transaction:** A unit of work consisting of an exchange between two or more participants or systems.
- **Use Case:** A realistic, practical scenario used to define functional requirements and to design tests.
- **User Query:** An interaction (for example, a telephone call or a chat) with the service desk initiated by the user or a user representative. A user query could result in an incident or a service request being logged.

- **Utility Requirements:** Functional requirements which have been defined by the customer and are unique to a specific product.
- **Validation:** The activity of confirming that the proposed product and service design meets agreed requirements and establishing acceptance criteria for the next life cycle stages.
- **Value Chain Activities:** Activities performed by organizations to manage digital products and services through their life cycle. Each of these activities is enabled and supported by several management practices.
- **Value Streams and Processes:** One of the four dimensions of Product and Service management. It defines the activities, workflows, controls, and procedures needed to achieve the agreed objectives.
- **Wait Time:** The time spent waiting between the value stream steps.
- **Warranty Requirements:** Typical non-functional requirements captured as inputs from key stakeholders and other practices.
- **Workaround:** A solution that reduces or eliminates the impact of an incident or problem for which a full resolution is not yet available. Some workarounds reduce the likelihood of incidents.

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