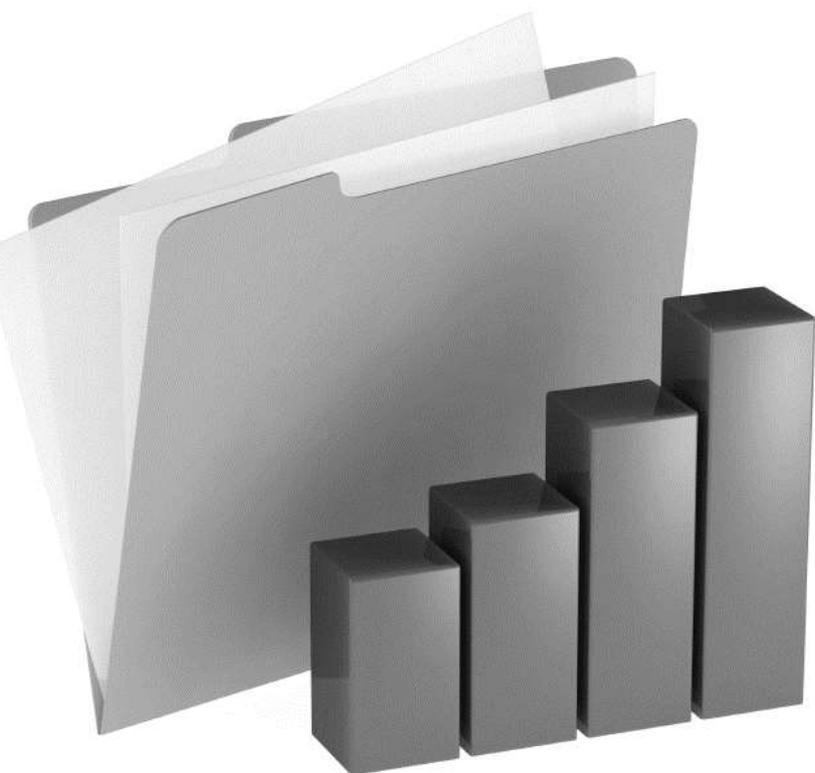


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## Module 1 Study Guide

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## Welcome to your Study Guide

This document is supplementary to the information available to you online. You can use it to study offline, to print out and to annotate key points as part of your studies.

## Study Guide Icons

	<b>Tip</b>	This will remind you of something you need to take note of or give you some exam guidance.
	<b>Definition</b>	Key concept or term that you need to understand and remember.
	<b>Role</b>	Job title or responsibility.
	<b>Purpose or Objective</b>	For a process, practice or activity.

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## 1 Module Objectives



### The objectives for this module are to:

- Describe the relationship between value and its stakeholders, including the organization, service providers, service consumers and other stakeholders
- Understand key concepts of value co-creation through service relationships, including service relationship management, service provision and service consumption
- Understand the relationship between products, service offerings and services
- Understand key concepts related to creating value with services including outcome, output, cost, risk, utility and warranty

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## 2 All About Value

	<b>Service management</b>	<i>“Service management is a set of specialized organizational capabilities for enabling value to customers in the form of services.”</i>
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	<b>Value</b>	<i>“Value is the perceived benefits, usefulness and importance of something.”</i>
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An organization can only develop these specialized organizational capabilities when it understands:

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

	<b>Organization</b>	<i>“An organization is a person or a group of people that has its own functions with responsibilities, authorities, and relationships to achieve its objectives.”</i>
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From an ITIL perspective, an organization might be:

- A single person
- A team within an organization
- A legal entity (a company, or a charity)
- A government department or public sector body

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## 2.1 Value Co-creation

	<b>Co-creation</b>	<p>Co-creation is as business strategy focusing on customer experience and interactive relationships. Co-creation allows and encourages a more active involvement from the customer to create a value rich experience.</p> <p><i>Source: <a href="https://www.businessdictionary.com">businessdictionary.com</a></i></p>
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Organizations need to collaborate with their customers and consumers, as well as the suppliers that help them to offer valuable services. Each product and service is surrounded by a web of service relationships.

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## 3 Who's Who in Service Management?

The organization that is providing services is the service provider. A service provider must understand who its customers or consumers are, and which other stakeholders are part of its wider service relationships.

	<b>Stakeholder</b>	A stakeholder is “a person or organization that has an interest or involvement in an organization, product, service, practice, or other entity.”
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	<b>Service Relationship</b>	A service relationship is “a co-operation between a service provider and a service consumer. Service relationships include service provision, service consumption, and service relationship management.”
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The service consumer is the person or organization that is receiving a service. In ITIL 4, consumer is a broad term that includes these roles:

- Customer
- User
- Sponsor

	<b>Customer</b>	“A person who defines the requirements for a service and takes responsibility for the outcomes of service consumption.”
	<b>User</b>	“A person who uses services.”
	<b>Sponsor</b>	“A person who authorizes budget for service consumption.”

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Understanding 'who is who' in service delivery supports:

- Better communication
- Better relationships
- Better stakeholder management

The roles can have different and conflicting expectations about value, what is an essential requirement, and how much they are prepared to pay.

Table 1 shows some examples of value for different types of stakeholders.

Stakeholder	Value Example
Service consumer	Receives benefits, optimizes costs and risks
Service provider	Funding or loyalty from consumers, further business development, reputation enhancement
Service provider employees	Job satisfaction, financial and non-financial rewards, personal development
Society and community	Employment, taxes, corporate social responsibility initiatives
Charity organizations	Financial and non-financial contributions
Shareholders	Financial benefits, such as dividends

**Table 1 Examples of Value**

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## 4 A Deeper Dive into Services

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

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

	<b>Service</b>	<i>“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.”</i>
	<b>Product</b>	<i>“A product is a configuration of an organization's resources designed to offer value for a consumer.”</i>

To ensure they are delivering value, service providers need to consider:

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

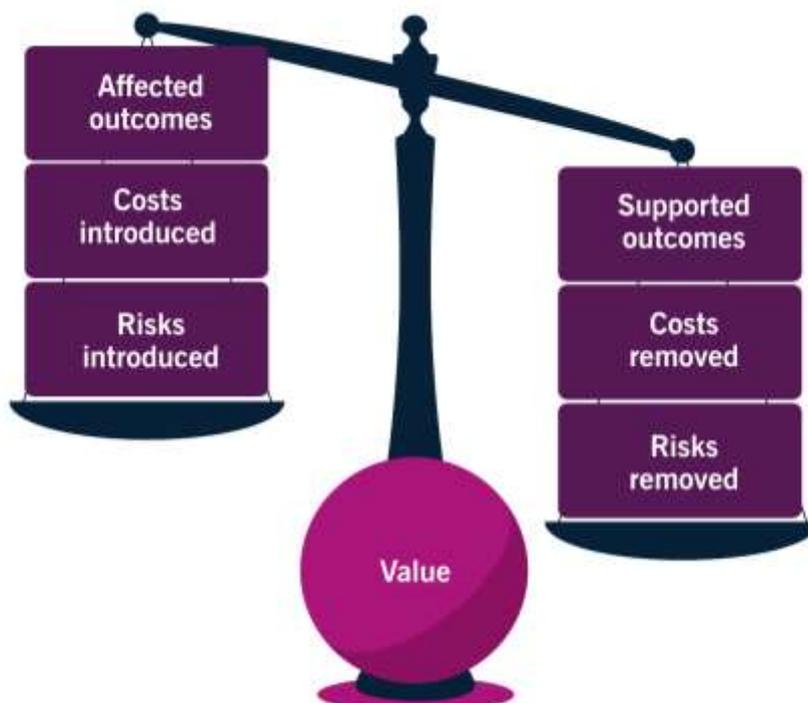
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## 4.1 Outputs vs. Outcomes

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

	<b>Output</b>	<i>"An output is a tangible or intangible deliverable of an activity."</i>
	<b>Outcomes</b>	<i>"An outcome is a result for a stakeholder enabled by one or more outputs."</i>

Value is created when a service has more positive than negative effects. It might cost a consumer money to pay for an externally provided email service, but it reduces the amount of money they spend on internal resources and reduces the risk of hardware failure.



ITIL 4 Foundation fig. 2.2 Achieving value: outcomes, costs and risks

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Service providers and service consumers need to be aware of the costs and risks related to a service.

	<b>Cost</b>	<i>"The amount of money spent on a specific activity or resource."</i>
	<b>Risk</b>	<i>"A possible event that could cause harm or loss or make it difficult to achieve objectives. Risk can also be defined as uncertainty of outcome and can be used in the context of measuring the probability of positive outcomes as well as negative outcomes."</i>

## 4.2 Utility and Warranty

Service providers assess the utility and warranty of a service to check it will create value.

	<b>Utility</b>	<i>"Utility is the functionality offered by a product or service to meet a particular need."</i> This describes what the service does, and whether it is fit for purpose. A service can provide utility by removing constraints from the consumer, or supporting their performance, or both.
	<b>Warranty</b>	<i>"Warranty is the assurance that a product or service will meet agreed requirements."</i> Warranty describes how a service performs, and whether it is fit for use. Warranty covers areas like availability, capacity, security and continuity; the service must meet the levels required by the consumer.

## 5 Service Relationships

	<b>Service Offering</b>	<i>“A service offering is a 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.”</i>
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### Goods

With goods, ownership is transferred to the consumer; for example, buying a car. The consumer takes responsibility for future use of the goods.

### Access to Resources

With access to resources, ownership is not transferred to the consumer; for example, renting a car. Access is granted or licensed under agreed terms and conditions; for example, the consumer might agree not to drive more than 10,000 miles per year.

### Service Actions

Service actions are performed by the provider to address a consumer need; for example, roadside assistance if a car breaks down. They are performed according to the agreement with the consumer; for example, paying extra to have guaranteed assistance within one hour.

### 5.1 Consumer Groups

The consumer groups a service is offered to may be part of the same organization as the service provider, or they might be external to the service provider. Service providers can offer the same product in different ways to different consumer groups; for example, short-term or long-term car leases, or leases with a right to buy at the lease end.

### 5.2 Service Relationships

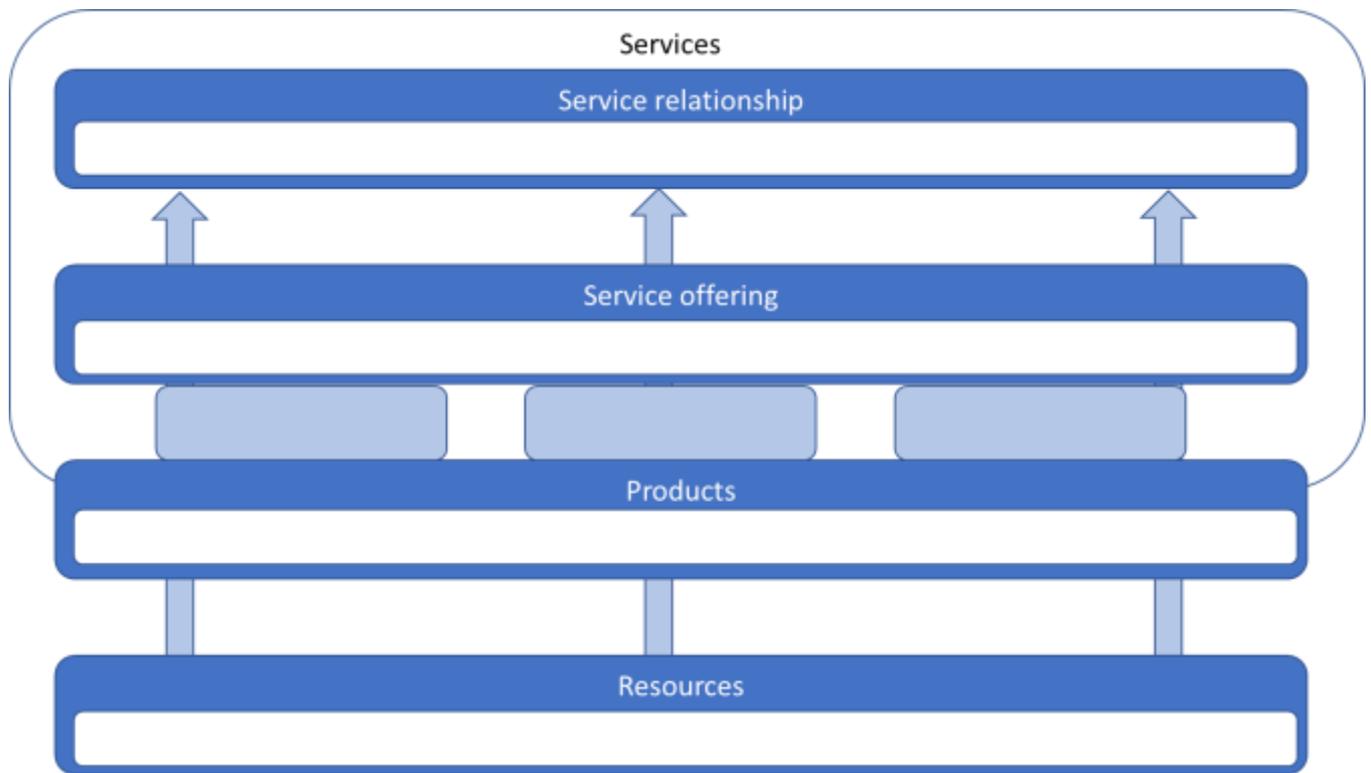
	<b>Service Relationship</b>	<i>“A service relationship is a cooperation between a service provider and a service consumer. Service relationships include service provision, service consumption, and service relationship management.”</i>
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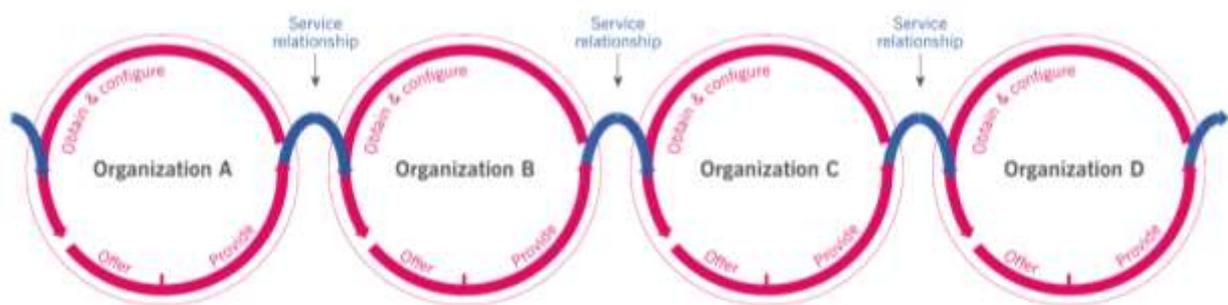
	<b>Service Provision</b>	<p><i>“Activities performed by an organization to provide services. This includes management of resources configured to deliver the service, access to these resources for users, fulfilment of agreed service actions, service performance management and continual improvement. It may also include the supply of goods.”</i></p>
	<b>Service Consumption</b>	<p><i>“Activities performed by an organization to consume services. This includes the management of the consumer’s resources needed to use the service, service use actions performed by users, and may include receiving (acquiring) goods.”</i></p>
	<b>Service Relationship Management</b>	<p><i>“This includes joint activities performed by a service provider and a service consumer to ensure continual value co-creation based on agreed and available service offerings.”</i></p>

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This figure is a generic service representation that you can add your information to:



This figure shows the service relationship model:



**ITIL 4 Foundation fig. 2.1 The service relationship model**

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