WHAT IS...?

ITIL® (Version 5)

www.itsmacademy.com

What's inside:

What is ITIL and why did ITIL need to evolve?

ITIL is the world's most widely adopted source of best-practice guidance for managing technology-based services and creating value for customers and stakeholders.

While earlier versions of ITIL focused primarily on services, the rise of product-centric organizations and the rapid adoption of AI has reshaped the digital landscape. Released in January 2026, ITIL (Version 5) expands ITIL's scope to digital product and service management (DPSM). This evolution of the framework builds on proven ITIL concepts while providing practical, outcome-focused guidance for delivering and improving integrated products and services in an AI-driven world.

ITIL is not a standard that has to be followed word-for-word; it is guidance that should be read, understood, and then used to create value for organizations and their customers. Organizations are encouraged to:

- Use ITIL to **adopt** a digital product and service management approach
- And then **adapt** ITIL guidance to their own specific circumstances, needs and goals

The world has changed significantly since ITIL was first introduced (and even since it was last updated in 2019). Technology is advancing faster today than ever before.

ITIL (Version 5) reflects the rapid evolution of digital technology and provides tailorable, practical, and value-oriented guidance for the successful management of technology and technology-enabled business. This positions digital product and service management as a key strategic capability and competitive advantage.

Continue reading to learn more...

Key Concepts of Digital Product and Service Management

A shared understanding of the key concepts and terminology of ITIL is critical to the effective use of this guidance by organizations and individuals to address real world challenges.

ITIL Foundation Version 5, the first publication of ITIL (Version 5), introduces readers to the management of modern IT- and AI-enabled products and services, provides them with an understanding of the common language and key concepts, and shows them how they can improve their work and the work of their organization with ITIL guidance.

The most fundamental concept that must be understood is, what is digital product and service management?

> **Digital product and service management (DPSM)** is a set of specialized organizational capabilities for enabling value for customers in the form of digital products and services.

Developing these specialized organizational capabilities requires an understanding of

- The nature of value
- How value is co-created
- The nature and scope of the stakeholders involved

These concepts apply to all product, services, and service relationships, regardless of their nature and underpinning technology.

The Nature of Value

Value is the perceived benefits, usefulness, and importance of something. Value is subject to the perception of the stakeholders, whether they be the customers or consumers of a product or service, part of the service provider organization, or product vendors.

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

Value is co-created!

Increasingly, organizations recognize that value is co-created through an active collaboration between providers, consumers, and other stakeholders. That collaboration may come in the form of the definition of requirements, the design of solutions, and even in the creation and provisioning of products and services.

How Value is Co-Created

By definition, 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. It's important to distinguish between *outcomes* and *outputs* (or deliverables). An **outcome** is a result for a stakeholder enabled by one or more outputs. For example, it doesn't matter if a software application has really cool features if it doesn't enable its users to be more productive.

Achieving desired outcomes requires resources (and therefore costs) and is often associated with risks. While service relationships can remove some costs and risks, they also introduce new costs and risks, and in some cases, can negatively affect some of the intended outcomes.

When evaluating a service, consumers must balance the removal of costs and risks against unwanted or undesirable costs and risks that may be introduced by choosing to work with a service provider. For example, using a ride sharing service to get to the airport may cost less than parking your car at the airport, but it requires that you own a smartphone and have the ability to access your online account.

To evaluate whether or not a service or service offering will facilitate the outcomes, the overall utility, warranty, experience, and sustainability of the service should be assessed, along with the associated costs and risks.

Utility (fitness for purpose) is the functionality offered by a product or service to meet a particular need. Utility can be summarized as 'what the service does' and can be used to determine whether a service is able to meet its required outcomes. To have utility, a service must either support the performance of the consumer or remove constraints from the consumer. Many services do both.

Warranty (fitness for use) is the assurance that a product or service will meet agreed requirements. This may be a formal agreement such as a service level agreement or contract, or a marketing message or brand image. Warranty typically addresses areas such as availability, capacity, continuity, and security. Warranty can be summarized as 'how the service performs'.

Experience is the sum of functional and emotional interactions with a service and service provider as perceived by a service customer (CX) or user (UX). Factors that lead to a positive experience include ease of use, attractiveness of interface, relevance of the service to achieving the customer's or user's objectives, ability to access support when needed, ease of acquiring the service, and perception of the value of the service.

Sustainability is the assurance that a product or service meets and will continue to meet the requirements for environmental stewardship, social progress, and economic growth. Sustainability requirements may include responsible sourcing of materials and components, responsible work and employment practices, use of clean energy, low carbon footprint, incorporation of recycled and recyclable materials, transparent supply chains, and others. These requirements may originate from national and international regulations and standards or be defined in the organization's sustainability strategy.

No one of these factors is more important than the other. Some approaches assume that if the focus is on one (for example, experience), the others will take care of themselves. This is not true, especially when taking the desired value and outcomes of the service into account.

Customers cannot benefit from something that is fit for purpose but not fit for use, and vice versa. A bad experience can wipe out the benefits of utility and warranty. Without sustainability, perceived value erodes as customers increasingly weigh environmental and social impact as indicators of whether value will endure.

The Nature and Scope of the Stakeholders Involved

In digital product and service management there are many different stakeholders. These stakeholders must be understood in the context of the creation of value in the form of products and services.

Key stakeholders include:

- Organizations
- Service providers
- Service consumers
- Digital product vendors

ORGANIZATION

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

Organizations that deliver services take on the role of service provider. A **service provider** is is an organization responsible for the delivery and support of services**.** Digital services are based on digital products. The service provider role is often combined with the role of digital product vendor**.** A **digital product vendor** is an organization responsible for the creation and continual improvement of digital products and related service offerings. These roles can be external to the consumer's organization, or part of the same organization. The key is that service providers and digital product vendors have a clear understanding of:

- Who their consumers are in a given situation
- Who the other stakeholders are in the associated service relationships

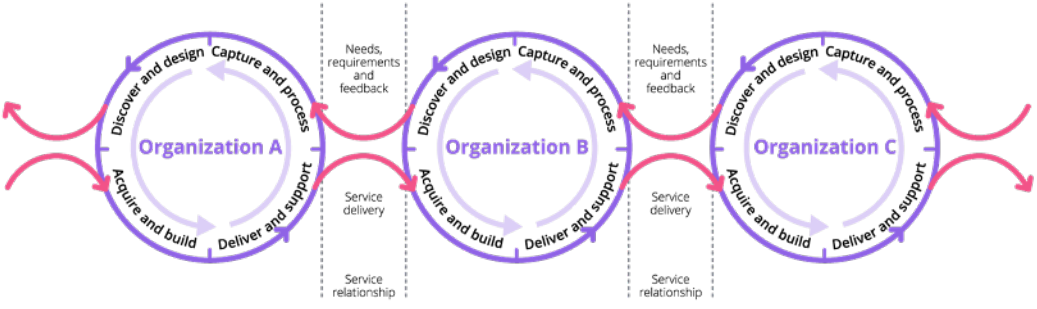
Organizations that procure and use services take on the role of **service consumer**. Service consumer is a generic role, although in practice, there are more specific roles involved in service consumption such as:

- **Customer** – the role that defines requirements for services and takes responsibility for outcomes from service consumption
- **User** – the role that uses services
- **Sponsor** – the role that authorizes the budget for service consumption

These roles can be separate or combined. For example, a supervisor (customer) who orders equipment for an employee (user) may need to get authorization from their boss (sponsor) for the spending. Conversely, you as an individual may wear all three hats when making a purchase.

Other stakeholders may include an organization's employees, its investors and shareholders, society, and even the planet.

Organizations engage in service relationships, forming chains and networks, where each organization acts as a service consumer for multiple providers and a service provider for multiple consumers.

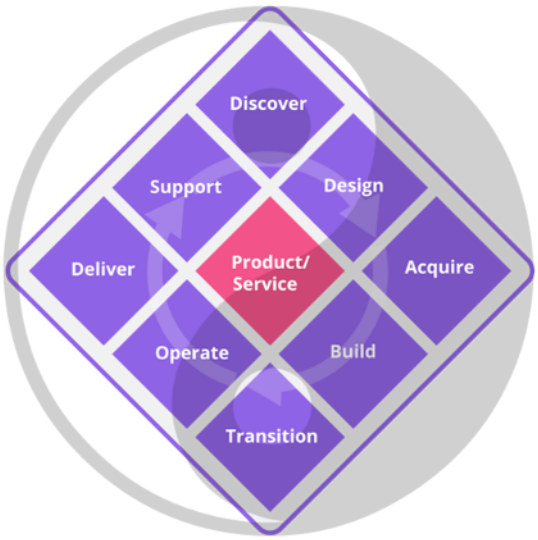


ITIL © Foundation Version 5 - Figure 1.5 - The ITIL Service Relationship Model.

Key Concepts of ITIL

ITIL provides organizations with a comprehensive framework for DPSM. ITIL (Version 5) incorporates the proven concepts and models from ITIL 4 and earlier versions: the management practices based on the Four Dimensions of Product and Service Management; the ITIL Value System; the value chain and value stream concepts; the ITIL Continual Improvement Model and the ITIL Guiding Principles. At the same time, this version offers a new model for the digital product and service lifecycle supported by new value chain activities and a strong focus on digital products and experience.

The ITIL Product and Service Lifecycle Model



ITIL © Foundation Version 5 - Figure 4.1 - The duality of the ITIL Product and Service Lifecycle Model

As shown previously in Figure 1.5 (The ITIL Service Relationship Model), to ensure high quality of their services, organizations:

- Capture and process customers' needs, requirements, and feedback
- Discover needs and opportunities, and design digital products and services
- Acquire necessary resources and build digital products
- Deliver and support digital services

This high-level description highlights important milestones of the product and service lifecycle and important activities of an organization acting as product vendor and service provider. However, this list is not complete. A more detailed ITIL Product and Service Lifecycle Model, shown in Figure 4.1, includes eight lifecycle stages. Moving through the lifecycle, the focus shifts between digital product and digital service management.

To manage digital products and services throughout their shared lifecycle, organizations perform the following lifecycle management activities:

Discover: explore and prioritize needs and opportunities for the product and service

Design: create product and service solutions meeting or exceeding the requirements

Acquire: procure or allocate resources required to build the product

Build: create, configure, and test technology solutions constituting the product

Transition: deploy the new product into the live environment

Operate: operate the product to ensure agreed performance

Deliver: deliver digital services based on the live products

Support: restore normal operation of products and delivery of services when needed

Although these activities enable and support the product and service lifecycle, they are not performed as a cycle. From the organizational perspective, these activities form a value chain. The value chain concept is described later in this document.

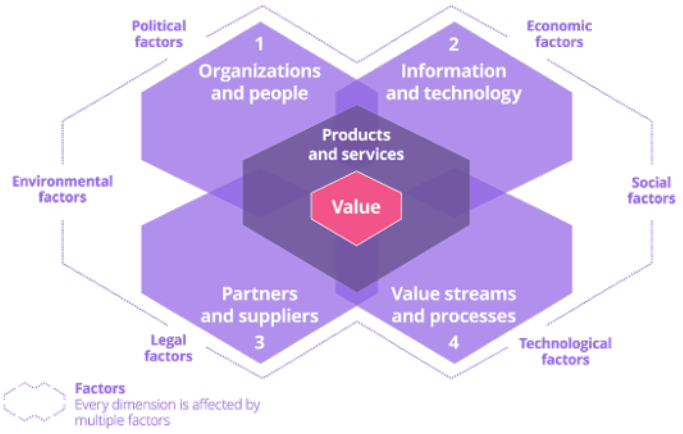
The Four Dimensions of Product and Service Management

Successfully introducing and improving DPSM in an organization requires a holistic approach. To support this holistic approach, ITIL defines Four Dimensions that are collectively critical to the effective and efficient facilitation of value for customers and other stakeholders.

These Four Dimensions include:

- Organizations and people
- Information and technology
- Partners and suppliers
- Value streams and processes

Any aspect of DPSM, every practice, all products and services need to be considered in light of the Four Dimensions. No one dimension is sufficient to produce the required outcomes when considered in isolation.



ITIL © Foundation Version 5 - Figure 1.4 - The Four Dimensions

The Four Dimensions are constrained or influenced by several external factors that are often beyond the control of the organization. In Figure 1.4, these factors are illustrated in line with one of the widely accepted models known as PESTLE (Political, Economic, Social, Technology, Legal, Environmental). Other similar models can be adopted by organizations.

The ITIL Value System

The ITIL Value System is the governance and management system on which ITIL (Version 5) sits.

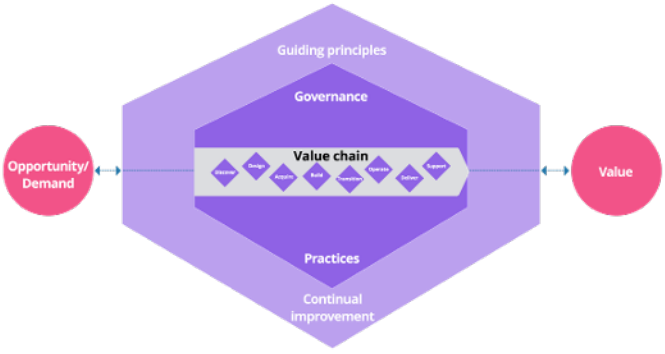
> The **ITIL Value System** (ITIL VS) is a model representing how all the components and activities of an organization work together to facilitate value creation through digital products and services.

A **management system** is a system of interconnected elements that establish policy and objectives and enable the achievement of those objectives. To ensure that the management system itself is effective, adaptive, and responsible, organizations adopt another level of oversight: **governance**, the system by which an organization is directed and controlled.

Key **inputs** to the ITIL VS include:

- **Opportunities** – options or possibilities to add value for stakeholders or otherwise improve the organization
- **Demand** – the need or desire for products and services among internal and external consumers

The **outcome** (or result) of the ITIL VS is value for consumers and stakeholders.



ITIL © Foundation Version 5 - Figure 1.7 - The ITIL Value System

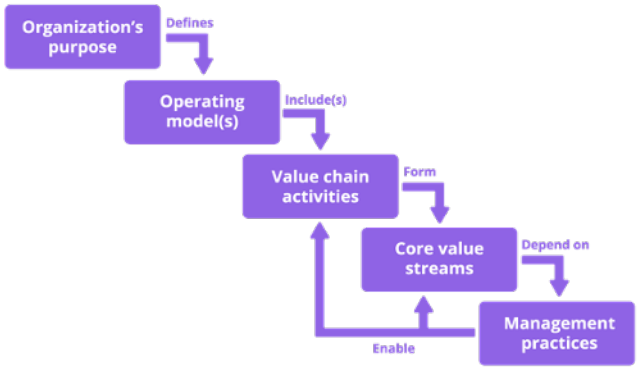
As illustrated in Figure 1.7, the components of the ITIL VS include:

- **Guiding principles** – recommendations that can guide an organization in all circumstances, regardless of changes in its goals, strategies, type of work, or management structure
- **Governance of digital technology** – a governance system focused on the current and future use of digital technology
- **Value chain** – a set of activities that enable value through the provision of a product or service
- **Management practices** – sets of organizational capabilities designed for performing work or accomplishing an objective
- **Continual improvement** – a recurring organizational activity performed at all levels to ensure that an organization's performance continually meets stakeholders' expectations

The architecture of the ITIL VS specifically enables flexibility and discourages siloed working. The value chain activities and the practices in the ITIL VS do not form a fixed, rigid structure. They can be combined in multiple operating models and value streams to address the needs of the organization in a variety of scenarios.

Operating Models and Value Chains

Organizations exist to create value for customers and other stakeholders. The intended value and organization's positioning are translated into its purpose.



ITIL © Foundation Version 5 - Figure 5.3 - From organization's purpose to value streams

An organization's **purpose** describes what an organization does for its consumers and other stakeholders and *why*.

To understand and communicate *how* an organization fulfils its purpose, an operating model is often used. An **operating model** is 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

Operating models typically describe several key elements. ITIL suggests structuring operating models around the Four Dimensions of Product and Service Management.

The highest level of the 'value streams and processes' dimension of an operating model can be described as an organization's value chain. In most cases, a value chain developed by an organization serves as a framework for multiple value streams.

A **value stream** is a series of steps an organization uses to create and deliver products and services to service consumers.

Value streams may be core or enabling. A **core value stream** is a value stream that enables value for consumers in a form intended by the organization's operating model. An **enabling value stream** is a value stream that enables value for internal customers to support the organization's core value streams.

Value chain activities and value streams are supported and enabled by management practices.

ITIL Management Practices

A **management practice** is a set of organizational capabilities designed for performing work or accomplishing an objective.

Each management practice:

- Enables the digital product and service management activities of an organization
- Includes resources based on the Four Dimensions of Product and Service Management

The origins of ITIL management practices include general management and product and service management practices.

- **General management practices** can be applied to any product or service, as well as to general management activities of an organization
- **Product and service management practices** are specific to digital product and service management

A detailed description of each management practice and practical recommendations on establishing the practices in an organization are provided in the ITIL Official Practice Guides.

The ITIL Official Practice Guides are available in the **PeopleCert Plus** eBooks library.

General Mgmt. Practices	Product and Service Mgmt. Practices	
Architecture management	Availability management	Service catalogue management
Continual improvement	Business analysis	Service configuration management
Knowledge management	Capacity and performance management	Service continuity management
Measurement and reporting	Change enablement	Service design
Organizational change management	Deployment management	Service desk
Portfolio management	Incident management	Service financial management
Project management	Information security management	Service level management
Relationship management	Infrastructure and platform management	Service request management
Risk management	IT asset management	Service validation and testing
Strategy management	Monitoring and event management	Software development and management
Supplier management	Problem management	
Workforce and talent management	Release management	

Mapping and Managing Value Streams

Organizations involved in digital product and service management activities may play different roles. These variations in operating models enable a variety of value streams.

Value stream mapping is a technique for the visual representation and analysis of value streams. Applied to the digital-first environment, it is focused on the flow of information, work, and, eventually, the value created for a service consumer.

Value stream mapping includes the following steps:

- Value stream identification
- Mapping of the 'as-is' value stream
- Analyzing the value stream
- Mapping a 'to-be' value stream
- Planning and implementing improvements

Value stream mapping is a technique that is relatively easy to start and it also provides tangible results in the short term. However, it does not have a sustainable effect if performed as a one-off exercise. Value streams keep evolving, and so does the context they are performed in. To maintain a high quality of services and continually optimize the flow of work, organizations shift to value stream management, which means both 'management *of* value streams' and 'management *through* value streams'.

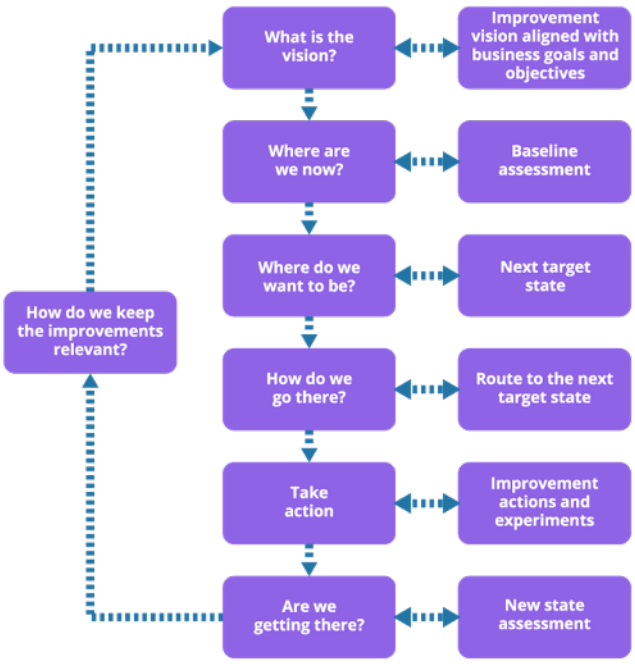
Value stream management involves an ongoing focus on how work is done, as well as the analysis and improvement of the organization's value streams. It also includes an understanding of the organization's value stream network, where multiple value streams involve multiple practices and external dependencies under different and constantly changing circumstances. This understanding is supported by automation and measurement.

Continual Improvement

Continual improvement takes place in all areas of the organization and at all levels, from strategic to operational. Everyone involved in the management of products and services should look for opportunities to improve.

To support continual improvement at all levels, the ITIL VS includes:

- The continual improvement practice
- The *ITIL Transformation* official book
- The ITIL Continual Improvement Model



ITIL © Foundation Version 5 - Figure 5.4 - The ITIL Continual Improvement Model

The ITIL Continual Improvement Model provides organizations with a structured approach to implementing improvements. It applies to the value system in its entirety, as well as to all the organization's products, services, service components, practices, and relationships.

The ITIL Guiding Principles

The ITIL Guiding Principles are recommendations that can guide an organization in all circumstances, regardless of changes in its goals, strategies, type of work, or management structure.

Continual improvement efforts will be more likely to succeed if all aspects of these efforts are influenced by the guiding principles which are:

- **Focus on value** – link everything, directly or indirectly, to value for the organization, its customers and other stakeholders; it is the stakeholders who determine what is of value
- **Start where you are** – leverage what's already available; decisions on how to proceed should be based on accurate information obtained through direct observation supported by appropriate and effective measurement
- **Progress iteratively with feedback** – work in manageable and managed sequential or simultaneous iterations with multiple feedback loops between them
- **Collaborate and promote visibility** – cooperation and collaboration are better than isolated work; when initiatives involve the right people in the correct roles, efforts benefit from better buy-in, more relevance (because better information is available for decision-making) and increased likelihood of long-term success
- **Think and work holistically** – no product, service, practice, process, team or supplier stands alone; establish an understanding of how all the parts of an organization work together in an integrated way
- **Keep it simple and practical** – use the minimum number of steps to accomplish an objective; eliminate processes, products, services, actions, or metrics that fail to provide value or produce a useful outcome
- **Optimize and automate** – make things as effective, efficient, and useful as practical (i.e., optimize), then automate; ensure effective governance when leveraging AI

The ITIL Guiding Principles can be adopted as a full and sufficient set or adapted to the existing organizational values and principles. They are aligned and compatible with sets of principles offered by Agile, **DevOps**, and other bodies of knowledge on digital product and service management. Although designed to guide organizations' management and use of digital technology, the ITIL Guiding Principles apply to all types of organizations, industries, and activities.

It's a Journey!

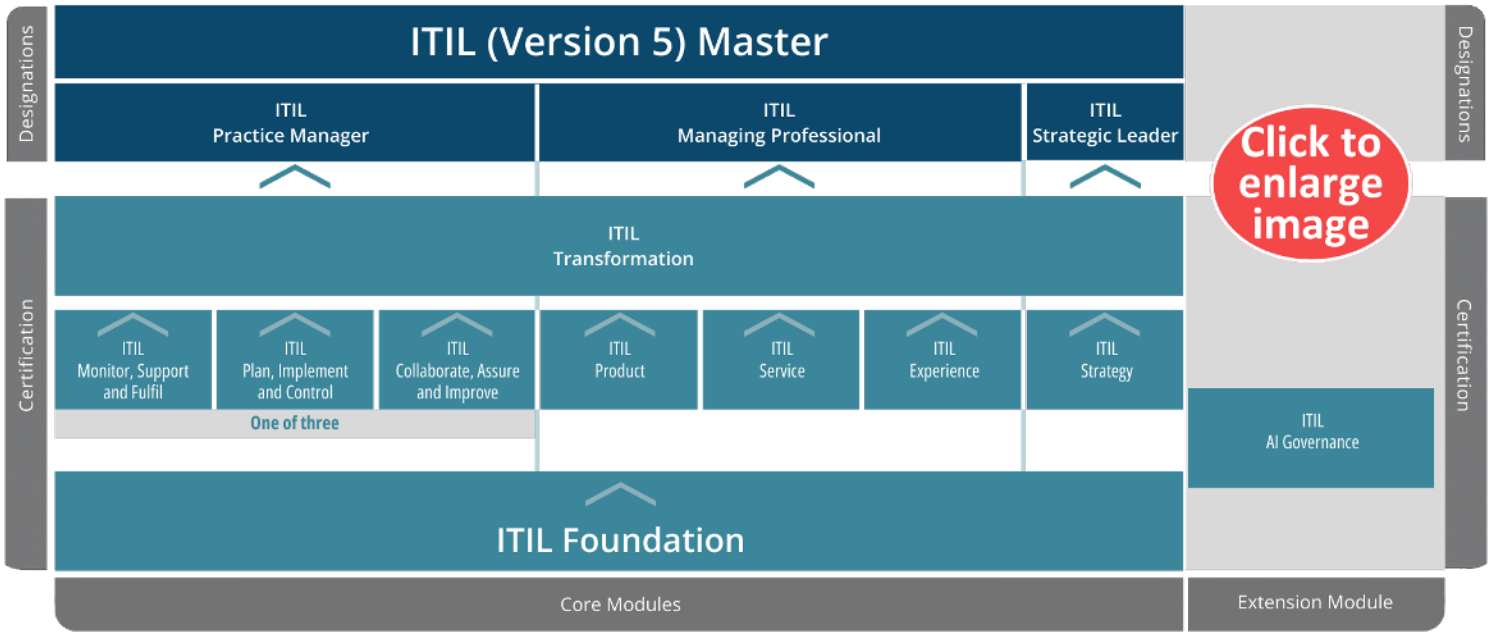
ITIL, like any framework, methodology, body of knowledge or philosophy, is only as valuable as the results it helps to achieve. How the guidance is applied is critical. It is necessary at all times to remember what is to be accomplished and *why* it needs to be accomplished. Following book examples or practices blindly, without considering their appropriateness to the organization's circumstances, needs, and goals is a certain way to fail. Success requires the application of critical judgment.

Want to Learn More?

The **ITIL (Version 5) qualification scheme** can be adapted to the learning requirements of individuals and organizations. It uses a modular, tiered structure that allows for a comprehensive view of DPSM or a focused exploration of role-based knowledge areas.

Our education planning specialists are available to meet individually with organizations and individuals to discuss goals, assess current maturity, and recommend a practical, phased road-map for adoption.

Education Strategy Planning (ESP) – A Smarter Approach to ITSM Training



Read the ITSM Professor's blogs about ITIL best practices.

A few of our favorites:

- New ITIL (Version 5) Explained
- Unlock the Power of ITIL

Search the blog for *many* more

Contact us to schedule time with a subject matter expert.

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Additional Resources:

- ITSM Professor Blog - a WEALTH of knowledge published weekly since 2008
- Webinar Archives - Monthly since 2007
- ITSM Academy Resource Center

ITSM Academy

We are a female owned small business, established in 2004. Our extensive catalog contains accredited and sustainable IT Service Management (ITSM) education and advice including; ITIL®, DevOps, Process Design (CPDE), Agile, Site Reliability Engineering (SRE), Value Stream Mapping (VSM) and Experience Level Agreement (XLA). Our business values are founded on trust, loyalty, professionalism and long term relationships.

...educate and inspire is not just our corporate slogan, it speaks to our core mission and goal.

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Every ITSM Academy instructor is certified to the highest levels in the areas they train. They have years of hands-on IT practitioner experience, enabling them to effectively intertwine theory and real-life stories and scenarios. Using the highest quality content, this engaging training style encourages active group participation, allowing all learners to bring from class a wealth of practical and actionable knowledge.

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Game On! - Interactive Learning

Involves students in active learning, using the engaging qualities of a game, fueled by our subject matter experts.

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In addition to our public and corporate/onsite training, our courseware is available for licensing / co-branding under our flexible licensing program, including Train-the-Trainer (for qualifying organizations).

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Extends the learning experience with games, videos, exercises, sample exams, and course materials. It also provides instructors a vast repository of information and guidance to successfully prepare for and teach our courses.

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ITSM Academy is proud to make it possible for individuals who attend our classes to earn professional education hours. (e.g., CPDs, PDUs, CPEs, CEUs). These professional education hours can be submitted to associations such as PeopleCert, the Project Management Institute and ISACA, if applicable.

Read More

The Story of the Academy

Today, ITSM Academy is widely recognized for its expertise in multiple IT frameworks (ITSM, ITIL, Process Engineering (CPDE), DevOps, Agile Service Management, Lean) and, more importantly, how they work together. But that's not where we started.