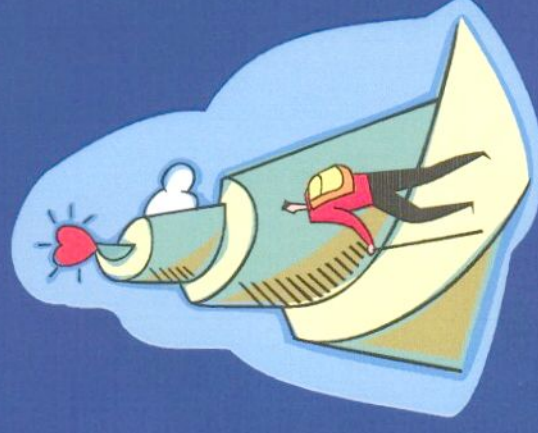


APPENDIX D: ASPEN PHARMACARE CASE STUDY

APPENDIX D1



Intent



Aggressive Growth in the
Pharmaceutical Industry through
Flexible, Entrepreneurial and
Competent People



The Aspen Pharmacare Way

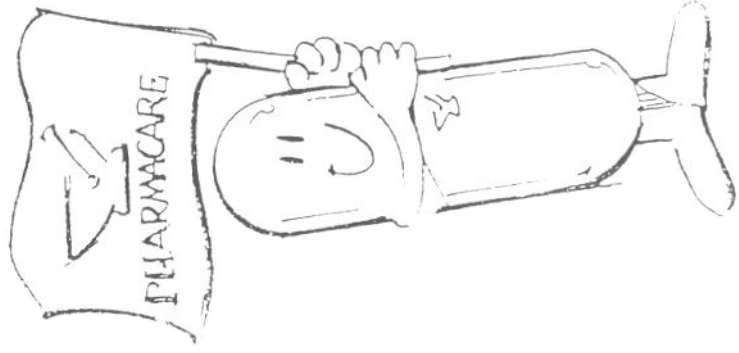
Our Core Values

- ❑ Passion For The Customer
- ❑ Empowerment
- ❑ Ubuntu
- ❑ Communication
- ❑ Entrepreneurship
- ❑ Sense Of Urgency

APPENDIX D2

Our **FUTURE**

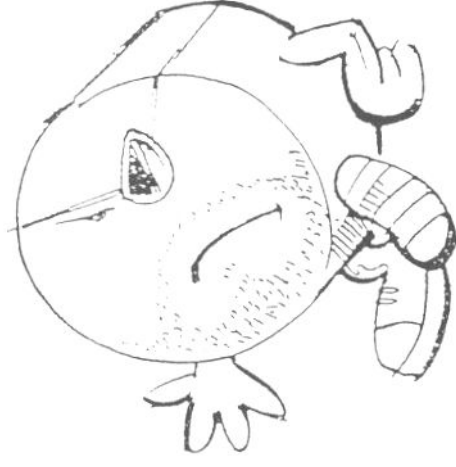
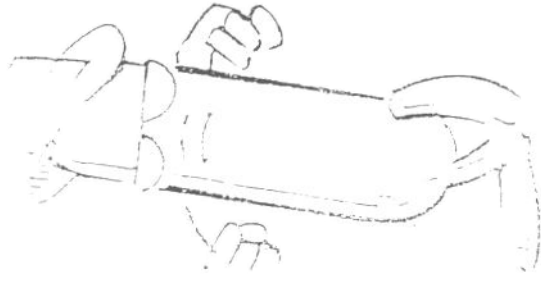
**Let's work together
to control our destiny!**



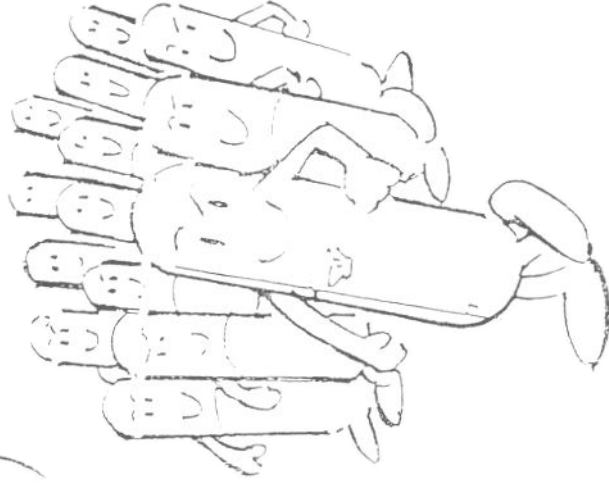
PHARMACARE
Leaders in Affordable Healthcare

Introduction

The South African healthcare market is in the process of dramatic change heralding a new era for us. Tough international competitors are entering our market; a new National Health Act will soon be promulgated and cost containment measures are already being implemented which are certain to increase over the next few years.



History has proven that during times of significant change, companies either meet the challenge and succeed or buckle under and fail. Therefore, how we respond to these changes now is critical for our future success. Everybody in our company has an important role to play and only by joining forces and doing things differently, can we at Pharmacare rise up to meet these challenges and win. But we must be prepared to fight - side by side.



A reflection on the past

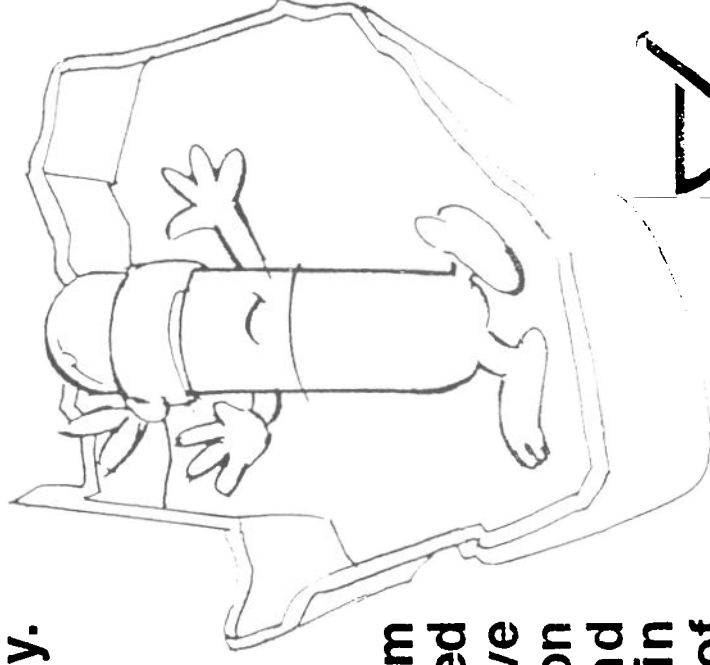
"Those were the days my friends, we thought they'd never end"

The seventies and eighties have often been described as the "fat cat" decades for the pharmaceutical industry, locally and internationally. Almost every company did well - often in spite of themselves. The market was growing fast and the cake was big enough to satisfy everyone. There were few incentives to contain costs which meant that a price increase was the easiest way of increasing turnover and inflation for the pharmaceutical industry was rampant.



It was easy. Doctors diagnosed and prescribed, pharmacists dispensed, the pharmaceutical companies supplied and the medical aids and the employers paid the bills. It was strictly prescribed by law. Over-servicing and abuse were the order of the day.

It was paradise. Business boomed year after year and everybody (except the funders) was happy.



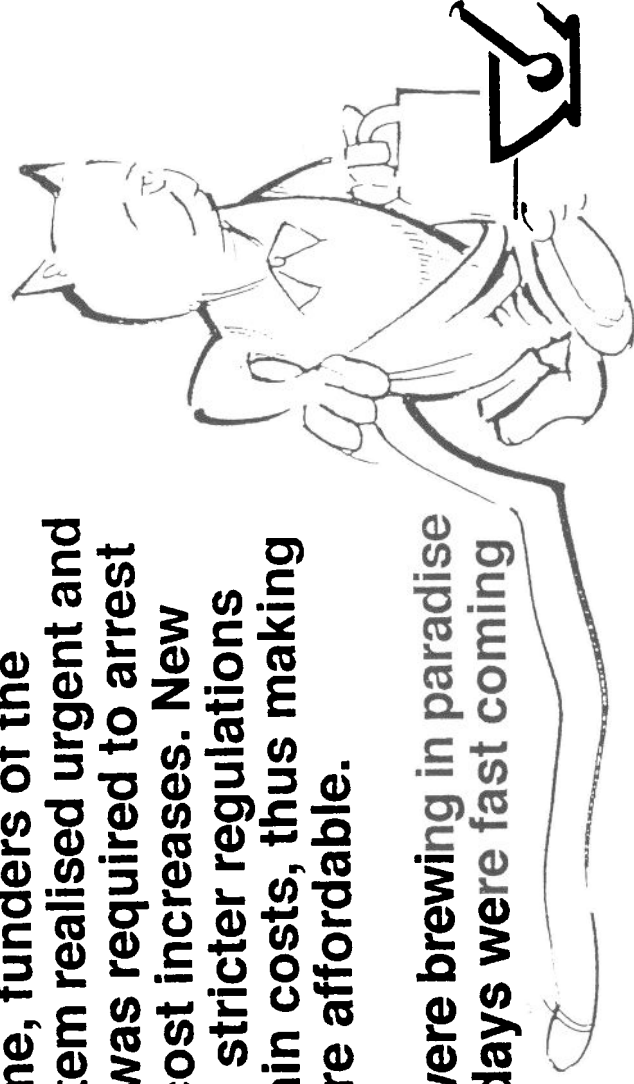
During this period, South Africa was isolated from the rest of the world and therefore largely protected from international developments and competitive forces. We lived and operated in splendid isolation and became inefficient, unproductive and internationally uncompetitive - not just in manufacturing and distribution, but all areas of our business.



Then came the nineties and dramatic change. South Africa became a true democracy and a representative government was voted into power. With that, our world status changed overnight from outcast to favourite and international companies looked at SA with increasingly envious eyes and started planning their invasion.

At the same time, funders of the healthcare system realised urgent and drastic action was required to arrest the spiralling cost increases. New legislation and stricter regulations began to contain costs, thus making healthcare more affordable.

Storm clouds were brewing in paradise - the "fat cat" days were fast coming to an end.

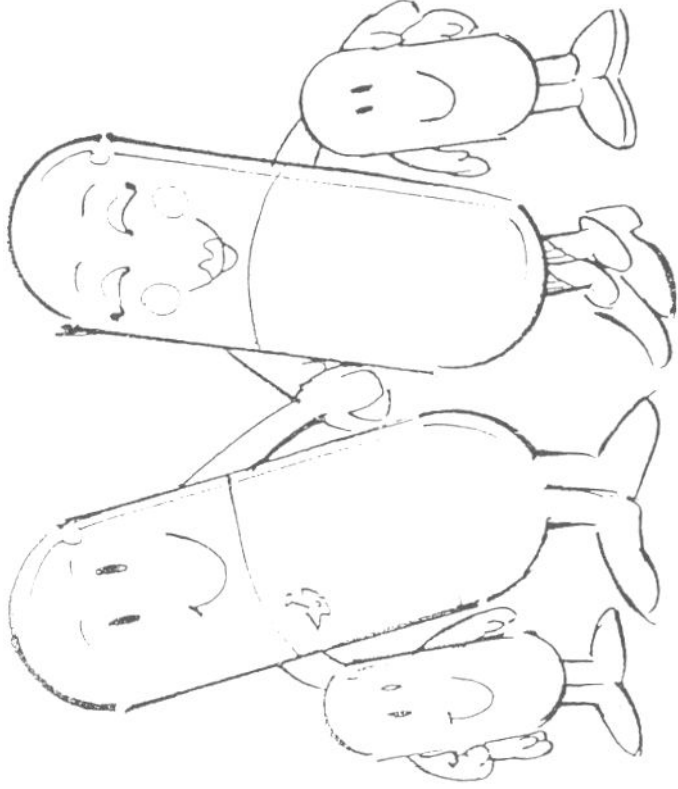


Towards the 21st century and beyond

Changes in healthcare will be driven by the government's objective of providing "AFFORDABLE AND ACCESSIBLE HEALTHCARE FOR ALL", thereby causing a major impact on both the state and private markets in which we operate.



The next few pages illustrate some of the major changes anticipated and give a clear indication of the extent of the challenges we are facing.





These challenges will completely alter the way in which we conduct our business in future. To meet these challenges, the senior management teams of all the Pharmacare business units have joined forces to develop our new Pharmacare Strategy.

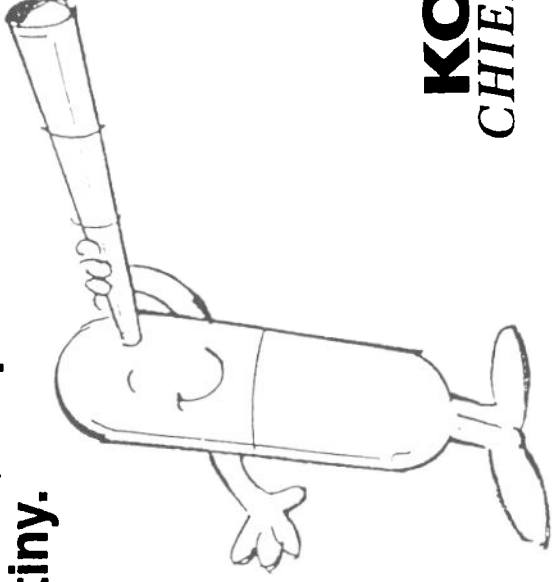
Specific action plans have been agreed to and are already in different stages of implementation. However, to ensure the complete success of the entire Strategy, our first priority must be to communicate the Strategy to everyone in Pharmacare in such a way that everybody gets a good understanding of our strategic direction.

Remember, we cannot fight the future but we can be prepared for it. We must all work together to convert these changes into opportunities.



Change is unmerciful: it sweeps away the weak and favours only the strong. "Survival of the fittest" is the order of the day. This means we have to be fitter, smarter and more efficient than any competitor - old or new. We must be market focused with a passionate commitment to customer service, something we haven't been very good at.

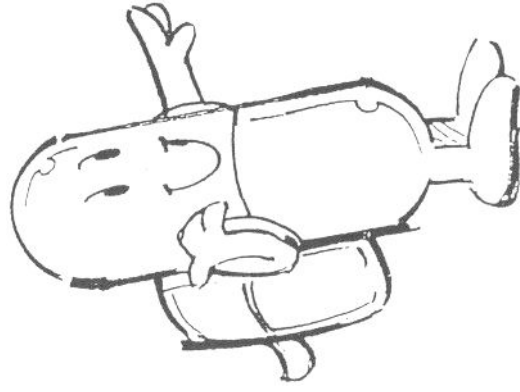
By learning from the past, we must look forward. Our Pharmacare strategy will, if successfully implemented, help us succeed and control our own destiny.




KOBUS NEL
CHIEF EXECUTIVE

APPENDIX D3

Our **PHARMACARE STRATEGY**



1996 - 2001



STRATEGIC INTENT OR VISION ⊕

*In support of the S.A. Druggists Intent, we want
Pharmacare to be:*



**"Leaders in
Affordable Healthcare"**

OUR CORE VALUES

All of us at Pharmacare must be passionately committed to live by the following core values :

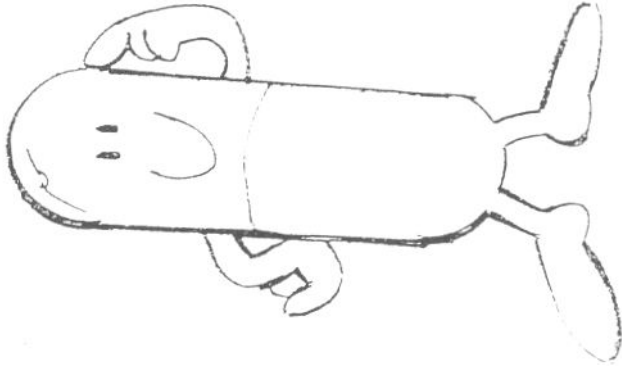


WHAT WE SAY - WE DO !

If we've made a commitment or promise to a customer or a colleague, we have to deliver, with a sense of urgency !

CARING FOR OUR PEOPLE & CUSTOMERS

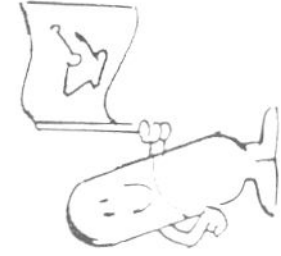
This must be our prime focus as we have neglected this area badly. It must be rectified or we will not succeed. Our people and our customers are our biggest assets.



STRONG INNOVATION & FREE THINKING

We strongly encourage individual initiative, entrepreneurship and decision- making, thereby constantly striving to do things better and more efficiently.





LEADERS

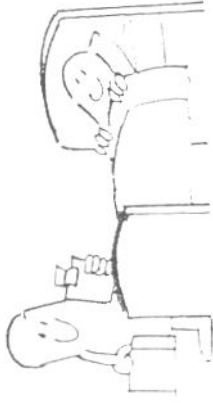
WHAT DOES THIS MEAN ?

Innovators, Pathfinders and Pioneers.
Leading the industry in every way.
Staying in front to control our own destiny.



AFFORDABLE

High quality, value-for-money medicines that
support government objectives and the move to
managed healthcare.



HEALTHCARE

Not just selling medicines, but providing solutions
to healthcare problems by proving the relevance
and cost effectiveness of our products in
managed healthcare, disease management and
formularies.

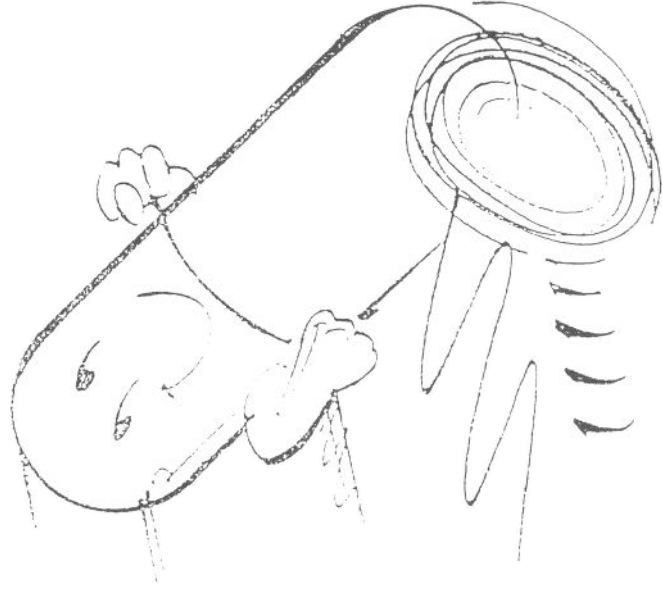


CORE COMPETENCIES

To capitalise on the future we envisage, we need to harness our core competencies in Pharmacare and SAD in such a way that we can move to the frontier of developing new products and services. Our determination to succeed in this new environment will open up new markets in ways that make it difficult for competitors to follow.

Core competence identification has started and an appropriate team will be appointed to spearhead our efforts in this direction.

More information to follow when appropriate.



THE MARKETS WE WILL SERVE

Given our intent or vision, the future we see developing, our core values and competencies, we will pull together by serving specific markets and customers. This will be our driving force. We will provide a full range of products and services for our selected markets and will grow by :

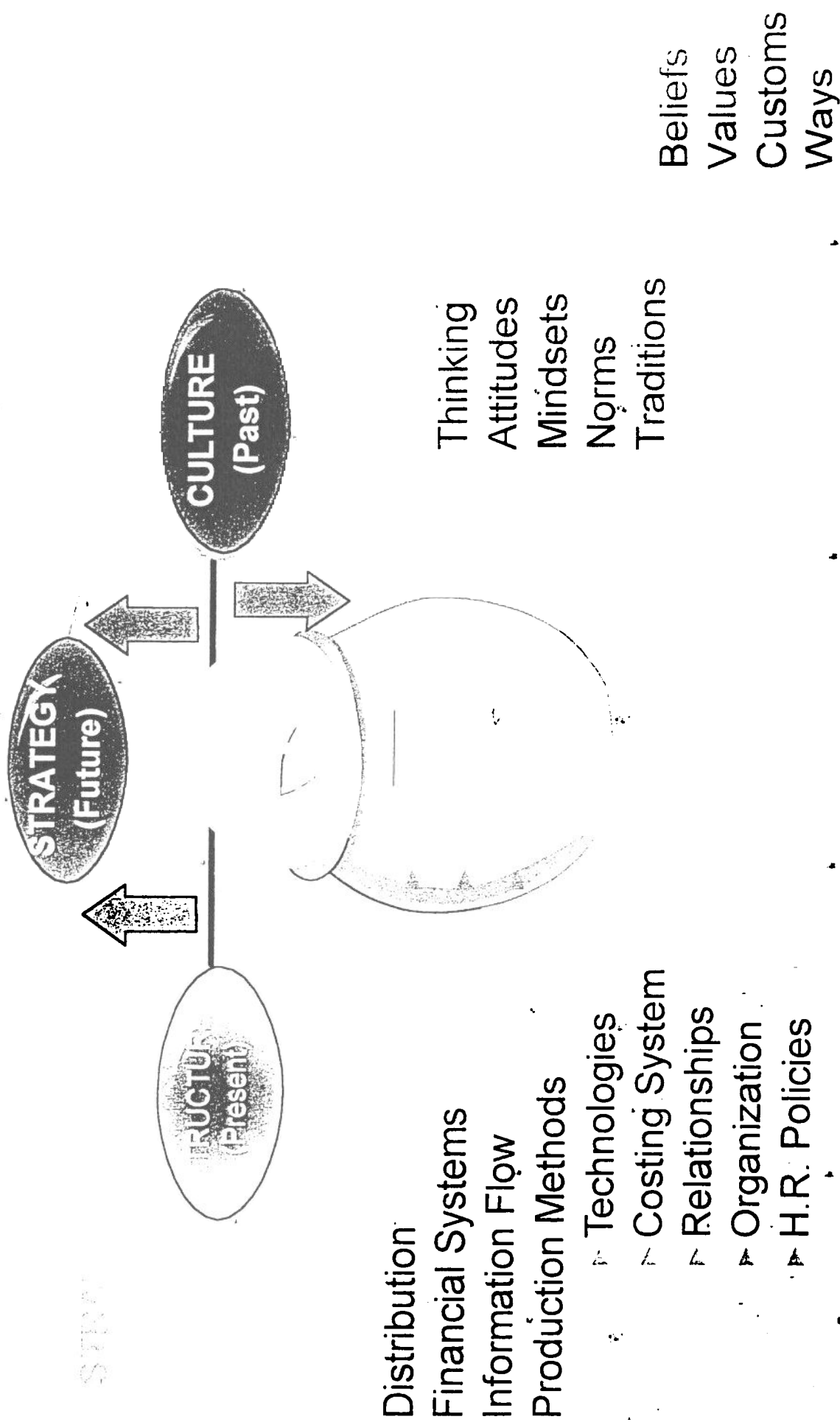
- Constantly seeking and providing new and different ways to fill current and emerging needs in these markets.
- Finding and exploiting new markets.

This means that timely development of new products and services will be crucial to our future growth. We will ensure that we put the necessary resources, capabilities and competencies in place to support this growth.



APPENDIX D4

The "How To" Of Strategy



Strategy

Strategic Action Plans

1. Manufacturing / Sourcing Strategy
2. Core Competency based International Strategy
3. "State of the Art", Integrated IT System
4. CSD and Direct Distribution Projects
5. Transformation / Change Process
 - Affirmative Change Processes
 - Affirmative Action
 - CSI eg. Housing
 - Appropriate Structures
 - Strategic Leadership

Strategy

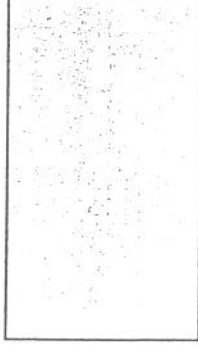
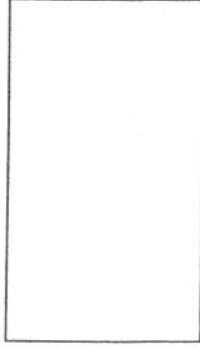
Strategic Action Plans

6. Live our Core Value of Caring for Our People
 - Training and Development
 - Improved Communication and Information
 - Participation / Co-determination / Collaboration
 - Healthy climate for people to develop and excel
7. Market and customer focus in all we do
8. Long-term RSA Pharmaceutical Industry Strategy
9. Ongoing review of Structures to support Strategy

Strategy

Strategic Action Plans

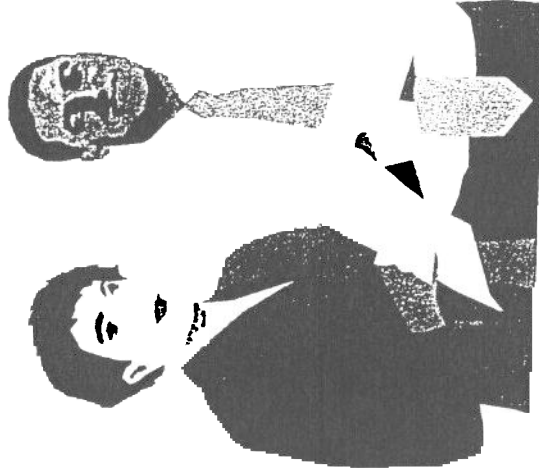
10. Invest adequate resources in NBD and R&D (new product pipeline)
 - Internal and External R&D
 - In-licensing
 - Alliances and Joint Ventures
 - Acquisitions
11. Build Strategic Market Information infrastructure -
 - Local and International
12. Build "Healthcare Solutions" expertise



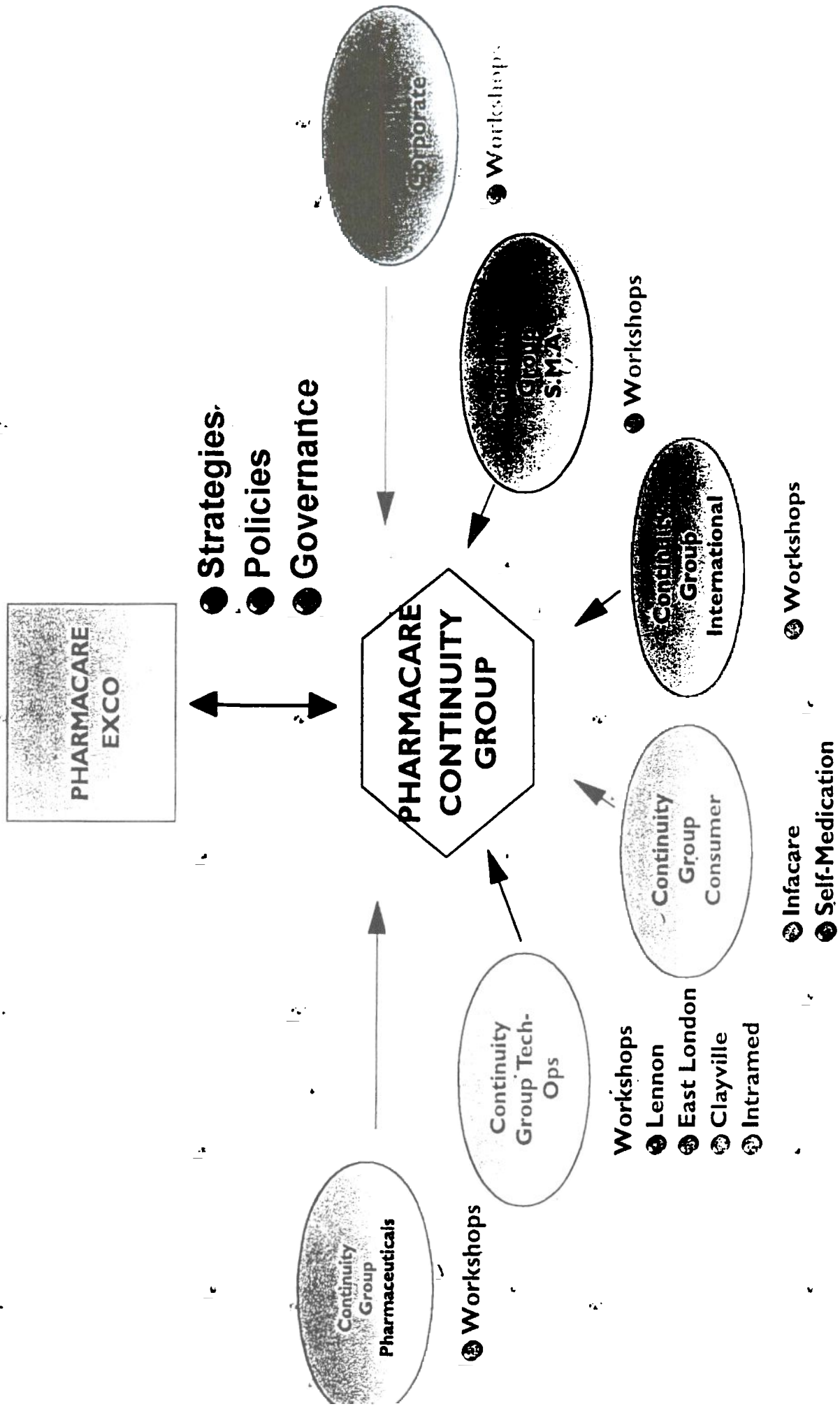
APPENDIX D5

Strategy

THE PHARMACARE WAY 2002 AFFIRMATIVE CHANGE PROCESS



Work Ethics / Values Foundation



**LEADERS IN AFFORDABLE HEALTHCARE
STRATEGIC VALUES**

**STRUCTURES/
WORK PROCESSES**

CULTURE

**BEHAVIOURS &
SKILLS**

EQUITY/CSR

STRUCTURES/WORK PROCESSES CULTURE BEHAVIOURS & SKILLS EQUITY/CSR

Structures / Work Processes



- World Class Manufacturing / Sourcing (CCA)
 - Core Competences
 - Transformation Agreement (All Stakeholders)
 - Pharmacare Performance Management System (360 Assessment)
- Self Directed Work Teams

- HR Policies & Procedures
- Marketing / Business Plans
- Communication Channels
 - Pharmacare News
 - Briefing Groups
 - Continuity Groups

STRUCTURES/
WORK PROCESSES

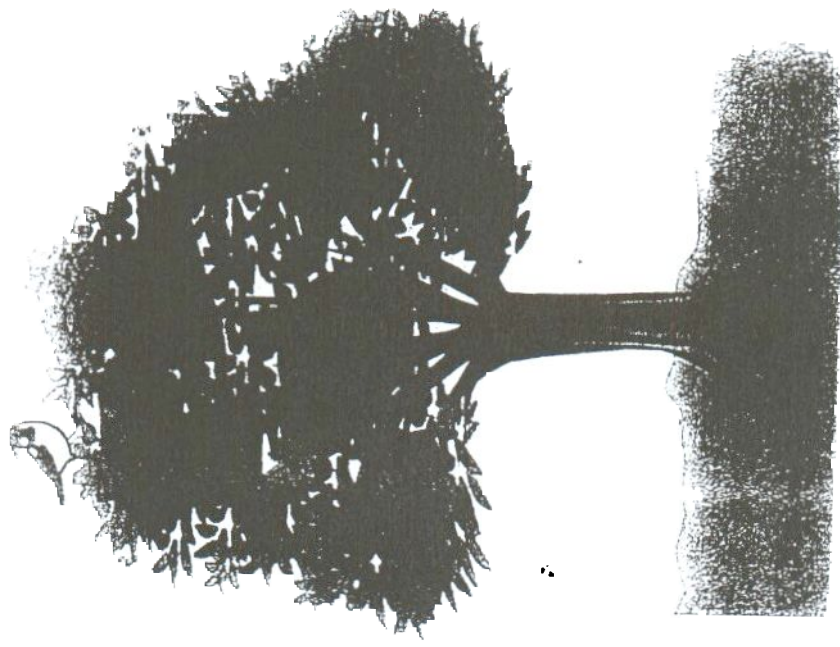
Culture



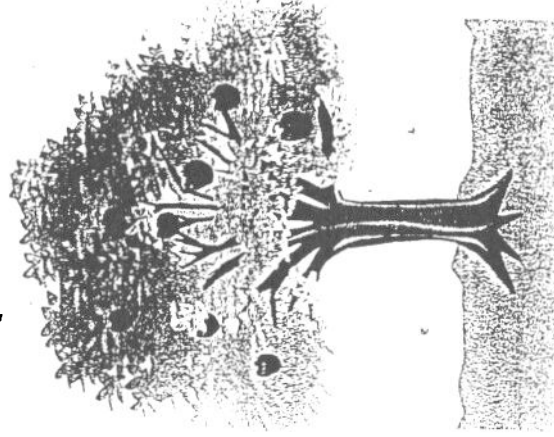
- Participative And Performance Focussed
Accountabilities
True Joint Decision Making
Free And Open Discussion Without Fear Of
Victimization
- People Involvement (Empowerment)
Knowledge
Skills
RMA
- Unity In Diversity
Let us share and build on our commonalities,
but also RESPECT differences.

CULTURE

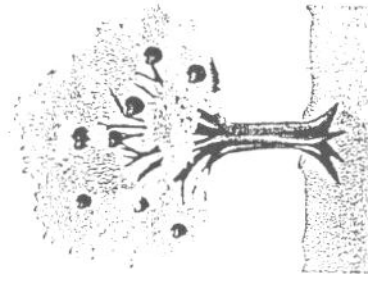
Growing . . .



Growing and



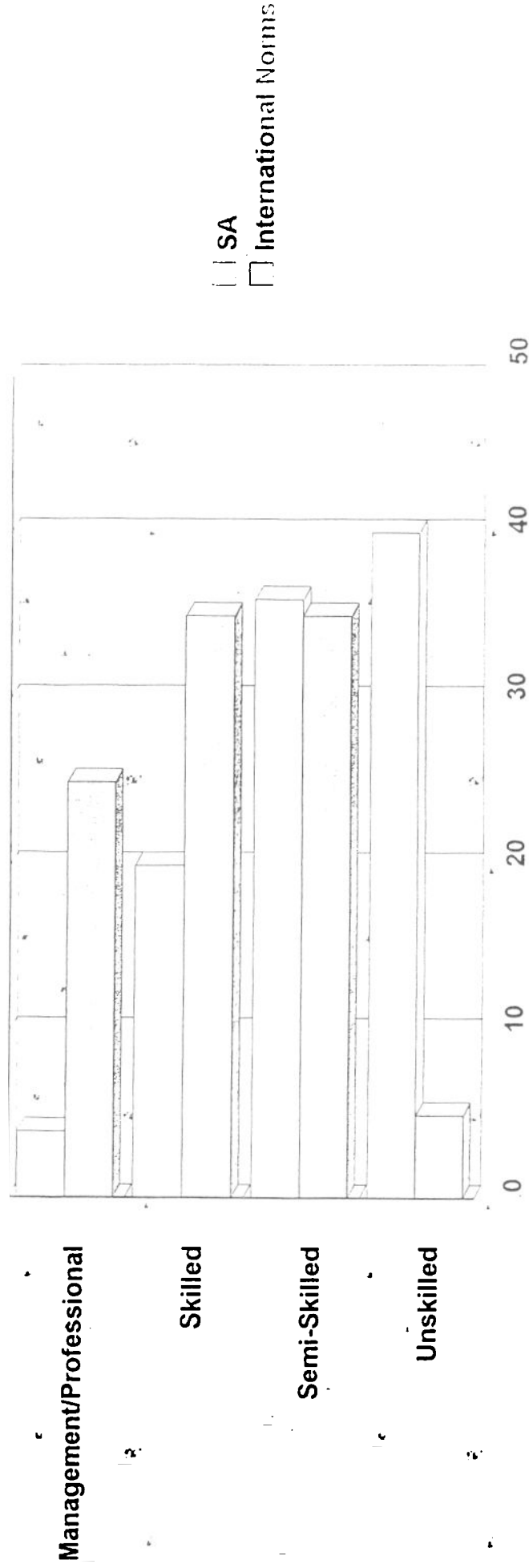
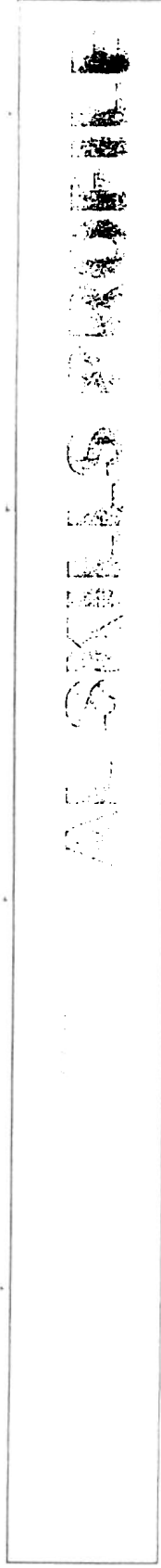
Growing and



Growing and



SA Skills Profile



	SA	International Norms
Management/Professional	10	10
Skilled	35	35
Semi-Skilled	40	40
Unskilled	15	15

Behaviours & Skills



- Strategic Leadership
- Transformational Leadership Skills
- Business Skills And Knowledge (Value Chain - Channels)
- Competency Profiling (NQF)
Industry Training Board
Multi-Skilling
Sales, Marketing And Negotiating Skills
- Inter-Personal Skills / Understanding

BEHAVIOURS & SKILLS

Equity / CSR



- **Affirmative Change Policy**
Affirmative Action Policy
- **Succession Planning**
Training And Development
ABET
Life Skills
- **Community Projects**

EQUITY / CSR

**"You Can't Keep Doing What
You Have Always Been Doing
And Expect To Win In These
Dynamic Changing Times"**

**"Only YOU Can Make The
Difference."**

"Where Are You Going?"

● "If you don't know where you're going, you'll wind up
somewhere else"

● If you don't know where you're going, any road will
take you there"

EASTERN PROVIDENCE

● "If you don't know where you are going, you won't
know when you're lost"

EASTERN PROVIDENCE

● "If you don't know where you're going,
you won't get lost"

"CYTHRA"