

Client Case Insight: Free State Gambling Agency and Liquor Board Merger Business Case

The mandates of both of the Free State Gambling Board (FSGB) and Liquor Authority (FSLA) are to regulate both the gambling and liquor industries through issuing of licenses, monitoring and regulating, and reporting to the responsible authority on all gambling and liquor matters. In order for the authority to fulfil its mandate, cognisance was taken of the following strategic objectives:

- to enhance the contribution of the gambling sector to shared accelerated economic growth;
- to monitor compliance of the gambling industry to existing legislation and policies;
- intensifying the fight against illegal gambling and money laundering throughout the Province; and
- to ensure efficient and effective resource management.

The main purpose of the engagement was to develop a business case to assess various merger options for the organisations. The business case analysed the status quo of the two organisations as well as the strategic options the organisations could pursue by considering the feasibility and implications of the various options. The case also assessed how the "to-be" merged entities business model and corporate form would comply with applicable legislation and regulations.

Various scenarios were proposed during the kick-off meeting and StratNovation was requested to present at most 5 options for the Steering Committee to review, prioritise and select the best option. StratNovation refined and agreed with the client that it would model 5 scenarios which are detailed below:

Option 1: Retain the Gambling Board and Liquor Board ("As-Is") in their current role and structures;

Option 2: Dissolve both entities;

Option 3: Establish the Free State Liquor Board as a self-standing public entity;

Option 4: Incorporate the Liquor Authority as a division of the Gambling Board; or

Option 5: Create a new public entity through the consolidation of the gambling and liquor board.

The project was approached through the seven phases detailed below.

- Initiation and Planning;
- Confirmation of As-Is Processes – operations, legal, finance, human resources, IT and communications;
- Development of To-Be process identification for the merged operations;
- Organisational design and operating model of new entity; and
- Business case report for review and approval.

The Business Case focused on five key structural options and the implications thereof. Each of the option incorporated the anticipated risks that were likely to be encountered and the mitigation strategies thereof.

A comprehensive business case report was compiled that presented the various scenarios for the Board to review, prioritise and select the best merger option.

After a process of legislative and strategic considerations a selection was made, and the merger initiated.

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