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MBA Candidates Redesign South Africa's Electrical Industry

A team of Omaha business students is helping expand the electrical industry of a nation in another hemisphere.

Phani Tej Adidam, right, with MBA students, from left, Rick Manthey, Mike Lewis, Kyle Kovar, Anand Kumar, and John Buckley, are advising South Africa on reorganizing its electrical system. The five are advising South Africa on how to advance plans to restructure the country's electrical system, a step that could bring electricity to 12 million of the country's people for the first time and improve services for the other 35 million.

They are students in the University of Nebraska at Omaha's executive MBA program, which requires them to work on real-life business issues with foreign connections. The MBA students' "capstone" projects usually are carried out for businesses, such as a marketing study for a foreign company that hopes to enter the U.S. market, said Phani Tej Adidam, who teaches the program.

But this year one of the three student teams is advising the South African government, which has struggled with power shortages, financial problems and difficulties in attracting qualified workers. "This is, I would say, pretty unusual and remarkable," Adidam said. "I don't think we have taken up a project of such immense importance to any country so far."

Instead of writing a master's thesis on a "cooked-up simulation scenario," he said, the UNO students apply what they are learning to real situations. "Theories are great, but unless you are able to apply them, what's the point?" The classes work on international businesses because that's what drives today's economy, Adidam said. "It would be a mistake not to make them aware of international businesses while they're doing their executive MBA program."

The South African connection came through team member John Buckley, an engineer for Omaha Public Power District. Through his job he met people from South Africa and learned of their efforts to resolve long-standing problems. "He was the natural team leader because of his industry experience and tremendous insight into what was shaping this industry," Adidam said. Other team members are Kyle Kovar of 3M Co., Rick Manthey of Hewlett Packard, Mike Lewis of Equitable Bank of Nebraska and Anand Kumar, of TIBCO Software Inc. Buckley said the country's plan to reorganize its electrical industry started in 1994 but has been "spinning" for the past two years without moving forward.



Above: Rick Manthey, Mike Lewis, Kyle Kovar, Anand Kumar, John Buckley, and Professor Tej Adidam

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"Everybody will agree it's a good idea, but nobody's willing to take the first step toward implementation," Buckley said. "We hope that our project's going to help them improve their system and their operations."

A South African government utility, Eskom, generates nearly all the country's electricity and runs the main transmission lines. But 189 local municipal utilities handle distribution to customers, including billing, maintenance and other services. The restructuring plan would replace the local utilities with six regional utilities, each holding a major city.

But some of the power companies keep raising questions. For example, many cities bill customers for electricity, sewers, water and other basic services at the same time. If customers don't pay, the cities shut off power. Without electricity on the bill, they fear, collections might become a major problem. And some cities use part of their electrical payments to pay for other city operations, so they worry about lost revenue. Electricity Distribution Industry Holdings Ltd., a government agency formed in 2003 to oversee the restructuring, is sponsoring the UNO project at a cost of about \$25,000, including a trip there by the team last month.

Nigel Waters, a regional manager for the agency, said the UNO students' preliminary recommendations "have the potential of being workable" because of the team members' impartial perspective and research findings. Some of the team's questions "have forced us to rethink a number of matters that we have taken for granted," Waters said. "The (UNO) group is really a great bunch of guys, and the team dynamics are very positive." The study is in its final stages, seeking a buy-in by the various interest groups so the restructuring can gain momentum. The South Africans invited Buckley to deliver the group's final report in person in June. The students began the project in December 2006 and are to graduate this summer.

Among other tasks, they looked for "best practices" by researching power systems in Brazil, Argentina, China, India and other countries with well-developed utilities and economies with similarities to South Africa. During last month's trip to South Africa, they stopped in major cities, such as Johannesburg, Capetown and Pretoria, and met top-level officials, utility executives, mayors and business people who are electrical customers. The South African municipal companies vary greatly in the reliability of service, electrical rates, equipment age, billing methods and other operations, Buckley said. South Africa's economy and population have grown faster than its generating capacity, leading to shortages in some areas and a lack of electricity in others.

The restructuring also could encourage the development of a wholesale electricity market and attract third-party power generators to consider investing in South Africa, Buckley said. Small communities especially want the restructuring to take place, Buckley said. "They're all ready. They would love to join because they're strapped for money and resources. "It's been a true learning experience."

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EXECUTIVE
MBA
PROGRAM

Mammel Hall 100
College of Business Administration
University of Nebraska at Omaha
6708 Pine Street
Omaha, NE 68182-0048
Phone 402.554.2448
Fax 402.554.2298
emba.unomaha.edu