

WAS IT A ONE-MAN SHOW: THE STORY OF SALEEM-UR-REHMAN THE FOUNDER OF DIGITAL COMMUNICATION

QURATULAIN ZAHRA

College of Computing &
Information Sciences
PAF-Karachi Institute of
Economics & Technology

DR. SYED IRFAN HYDER

College of Computing &
Information Sciences
PAF-Karachi Institute of
Economics & Technology

09

Abstract

The case study describes the rise and fall of the company "Digital Communication". The company was formed by Saleem ur Rehman, who had experience of working with companies like AT&T and Bell Labs.

The company at one time had more than 3000 clients in various sectors. These included Textiles: towels, hosiery, garments, spinning, insurance, travel agencies, defence organizations, GHQ, Pakistan Rangers, NGOs, Hotels: Marriot Karachi, Pearl Continental Peshawar, Pearl Continental Bhurbam, Hotel Mehran and Hotel Paradise; guest houses; sugar companies; engineering concerns, large residencies; Engro Chemicals; PNSC; NICVD and other products.

The company expanded rapidly, within two years Digital Communication's business grew to an extent that a new premises was needed just to maintain sales and marketing of the company. The company maintained its monopolistic control of the market till 1990 in the range of products that it offered.

However, after the demise of Saleem ur Rehman in 1992, the company faced many problems. The story of Digital Communications was a one man show and when the man died several people came to take his place but no one was capable of handling a big ship, hence the ship sank and the dreams of an enthusiastic Pakistani died with his death.

Key Words: *Entrepreneurship: Technology Services*

It was 2nd March 1992, when I entered my office. Everything was the same but I felt a silence in the atmosphere and my colleagues were busy in discussion with each other in a manner that I have not seen before in my whole working experience of 8 years. I came to my cabin and looked at the table clock that was again saying to me: “Yes! You are right on time, 5 minutes before 9:00 am”. My mind was again struck with the fact that why am I feeling so different today? And what is the reason behind this deadly silence in the atmosphere? Suddenly I felt a hand on my shoulder I turned around and it was none other than my friend and my colleague, an intelligent engineer from our Research and Development department. He was a friend, one of the four in the office, who were of the same batch of NED University. I passed him a gentle smile as usual but today he didn’t pass any joke and asked me instead:

“Riaz do you know something?”

I said: “No, but since I came to office today, I was continuously thinking that something is wrong. Come on, friend, tell me, what has happened? I cannot wait anymore.”

He looked into my eyes. Then with tears in his eyes he told me the sad news that changed everybody’s life.

“What! When? Who did that?”

These were the words shouted by me and that finally broke the deadly silence in the atmosphere.

“Yes, Saleem was murdered yesterday; we all are going back to our homes. You can also go and take some rest.”

After saying all this he went away and I was left standing there shocked. I don’t remember when I came back home, closed the door of my room and sat on my rocking chair near the window. There on the side table, I noticed today’s newspaper whose headline screaming of yesterday’s tragic event. I slowly picked it up and

started to go through it. It unfolded the evolution of Digital Communication, and with that, the memories of the last 8 years of my life that I had spent there.

Saleem-ur-Rehman, a technology pioneer in Pakistan, a man with innovative ideas, an industrious worker, a leader with a pleasant personality, a person with power in his voice, a polite personality wearing a gentle smile on his face. He exuded success and why not? He was in his early 40’s and has already achieved a status that a student dreams of, a professional envies and industry appreciates. He was energetic, enthusiastic and curious to learn about new things like a child who wants to test, experiment, and learn new things every second of his life. He wanted to hold every new toy that he saw, and to use every new technology that came out.

Saleem-ur Rehman was one of the blessed children of a well-to-do family living in a 5000 yards bungalow in Defence Housing Society, a posh and an elite locality of Karachi. He graduated from Dawood College of Engineering and Technology in 1980. This was the time when Dawood College was producing graduates who were the envy of every aspiring engineering graduate and it was before the college standards slumped when politics engulfed it subsequent to its nationalization. After his graduation, he decided to leave for abroad to get a masters degree in engineering. He also acquired valuable experience while working in the research and development department of companies like AT&T.

ORIGIN OF DIGITAL COMMUNICATION

The company was formed when Saleem-ur-Rehman came back from England after completing his higher education. He had also acquired experience of working on technologies of companies like AT&T and Bell Labs. While working in the research and development area, he got the opportunity of working on the state-of-the-art devices of that time such as modems. He decided to open his own company in the annexe of his bungalow in PECHS, another posh locality of Karachi. At first he made a small setup and developed initial products such as the 2+10 lines exchange, 3+16 lines exchange and

4+20 lines exchange that met with success as they instantly satisfied a major requirement of the market.

He then felt the need to market that product so he talked with his friend Taimur and hired him in the Sales Department. Taimur was a sales executive whose background was in the sales of Fast Moving Consumer Good (FMCG) companies. Initially marketing and sales of industrial products like PBXs was a new endeavor for him. Slowly experience accumulated as the business started growing. As the operations expanded, Saleem felt the need for other staff and a formal structure. The company named Digital Communications (hereto referred as DC) then came into existence.

By early 1980's T&T (Government's monopoly telecom company) had a very poor performance record. Even later when it had morphed in to PTCL, it could still not satisfy the growing demand for connections. Applicants had to wait for years and decades before they could get connections. Only a recommendation from the high and mighty could earn an applicant a connection. Quality of connections was very poor: All exchanges at that time were electro-mechanical; the calls would often drop and would require several tries before a connection could be established. At that time, PABX facility in private sector organizations was also quite rare. Equipment was too costly, and it would take forever to provide and setup PABX's. When DC came up with its products, it tapped in to a huge pent up demand. It beat all its rivals as the products were fully electronic and state-of-the-art with good design and adequate performance. The established names, such as Siemens and TIP (Telephone Industries of Pakistan), were left far behind in competition.

Digital Communication maintained its monopolistic control of the market till 1990 in the range of products that it offered. Then Siemens and TIP entered with comparable and competitive offerings. But the competition was only for PABX product and not for other DC products or services. PABXs made by competitors were often inferior in design and features and their prices were also high.

EMPLOYEES

Saleem-ur-Rehman had a keen eye for the selection of the employees. Only the best were hired. Employees were very well paid and were hired not only on the basis of their qualifications, but actually on the basis of their expertise. Saleem was often willing to give 50% or more rise the day an engineer showed significant success in his project. The company looked after its engineers and employees very well. Every competent engineer wanted to join the company.

Even before graduation, engineers would long to join the company. For example Navid Ansari (R&D engineer at DC), after completing his M.S from University of Houston, U.S.A. got offers from Jaffer Business Systems, Innovative Systems and Digital Communications but he decided to join Digital Communications. He says: "This was the time when DC used to show off their latest equipment to the students of engineering college to entice them to join their organization. In 1985, they showed a PC with 10MB hard disk, which was a phenomenal acquisition. No other company had a PC with such a huge storage device at that time!"

"Navid Ansari was the man who was so lucky that in just 6 months he had 100% increases in his salary. He was sent to America for research work twice on company's expenses in the years 1990 and 1991."

EXPANSION

As DC began getting orders from numerous organizations from almost all sectors, Saleem decided to make a separate department of sales and marketing. Until 1985 there was no concept of sales and marketing. DC had been making sales only on the basis of personal contacts. Sheikh Riaz Ahmed says:

"I was the first in DC, who started doing sales through direct calls to the customers and also worked for identifying the potential customers of the company. I still remember that when I was in my 3rd year of Electrical Engineering in NED University I joined DC as a trainee sales engineer in maintenance department. I always had a sales and marketing aptitude that's why DC provided me with the

SELECT CASE STUDIES OF PREVIOUS ISSUES

12

initial training of sales and marketing, and from there I started direct sales for the company.”

Around 1985, there were three basic products: 2+10 lines exchange, 3+16 lines exchange and 4+20 lines exchange.

“After six months of my appointment, CEO called a meeting of top management and took a major decision of establishing a separate marketing division. That was the establishment of DC Marketing (Pvt.) Limited in September 1985.”

Initially, DC Marketing shared the original DC premises of the 39/B/6 PECHS bungalow where the company had started. From there the growth graph of DC was visible. Within two years, DC’s business had grown to an extent that a dedicated building was needed just to maintain sales and marketing. A separate building for marketing was then acquired at 17- B Phase 1, D.H.A, near Mehmoodabad, Karachi.

“After some time, DC Marketing hired an intelligent and smart person Mazhar Rizvi as the marketing manager. He was an IBA graduate. He went about designing the company’s brochure, marketing strategy, pricing structures and developing the products for sales.”

Then another problem emerged. The product was selling very well because of the lack of substitutes from the competitors, but this growth in sales actually masked several product weaknesses, problems and maintenance issues. Professional marketers like Taimur and Mazhar, who were then doing marketing and support, did not know the technology well enough to identify the severity of these weaknesses and force the R&D to rectify the situation since they did not possess formal technical background.

After establishing DC Marketing, the company decided to expand its network from Karachi to Islamabad and then to Lahore. Cities of Pakistan were divided in to three regions. Regional Manager South was responsible for sales in Karachi, interior Sindh and Quetta; Regional Manager Central was responsible for sales in Lahore and northern Punjab up to Potohar and Rawalpindi; Regional

Manager North was responsible for sales in Islamabad, AJK, up to Peshawar.

“As the company grew, the CEO sent various intelligent R&D engineers to USA to acquire experience and to work on some new projects. Imran Ahmed and Navid Ansari were two of the most famous names among them.”

DC was working on many fronts and was flying higher than its capacity. Another office was rented in the mid 1980s, at a prestigious place in the commercial area on Khayaban-e-Shamsheer, Defence Housing Society, overlooking a stadium and a park. This became the CEO’s secretariat. CEO’s office suite was on the top floor with huge glass windows. Research and development (R&D) was on the floors below with several teams of engineers working on various R&D projects.

Saleem-ur-Rehman was an untiring worker and a researcher. He would often work with his research team for extended hours. Engineers working in the DC building on Khyaban-e-Shamsheer often wondered when he would sleep. During the day, he was seen interacting with the engineers working on the R&D floors, while during the nights, with 12 hour difference, he was interacting with Imran Ahmed who was in Los Angeles (L.A), U.S.A, exploring business prospects.

DC had another division generating a substantial revenue stream from the maintenance of 3rd party equipment for which local support was not available. The division had contracts for the repair and maintenance of such complex equipment such as the Air Force radars and other military installations. Imran Ahmed, who was known for his chain smoking, was in charge of the 3rd party maintenance division. He was initially sent by the CEO to USA to do some reconnaissance and identify some worthwhile projects and product ideas. While in USA, Saleem continued to pay for Imran’s salary. When Naveed Ansari went to USA, he saw a nice office bought in LA with a huge shed at the back. On enquiring, he was informed by Imran that the plan was to manufacture modems by Digital communications USA Inc.

Overall DC had more than 3000 clients in various sectors. These included Textiles: Towel, hosiery, garments, spinning etc.; Insurance; Travel agencies; Defense organizations, GHQ, Pakistan Rangers; NGO's; Hotels: Marriot Karachi, Pearl Continental Peshawar, Pearl Continental Bhurbun, Hotel Mehran and Hotel Paradise; guest houses; sugar companies; engineering concerns; large residencies; Engro chemicals; PNSC; NICVD and other products

“Saleem-ur-Rehman was a creative and techno-commercial person. He always wanted to try new ideas and concepts of the industry, and that is why he was able to come up with his unique range of products.”

Ninety percent of DC products and services were related to telecommunications.

- ☐ PABX (Private Automatic Branch Exchange): DCX denotes Digital Communication Exchange:
 - o DCX-8's configuration was $2+6=8$. Two incoming and 6 outgoing lines.
 - o DCX-4's configuration was $1+4=5$. One incoming and 4 outgoing lines.
 - o DCX-24's configuration was $4+20=24$.
 - o DCX50 was designed by Mehmood Hussain.
 - o DCX-90: A telex terminal was designed by Afaq Haider.
 - o DCX-1000: It was an ISDN based digital exchange.
- ☐ Power supplies
- ☐ Modem and modem cards
- ☐ Intelligent hard disk controller
- ☐ PTCL's Detailed Billing project. This was one of DC's last projects.
- ☐ Services such as repairing of 3rd party equipment like radars
- ☐ In 1992 cricket world cup, DC made the scoring system for PTV and for the first time DC name appeared on TV screens all over the country.

DC's markup was high and was often almost 100% as they had a monopoly in their range of products. Prices were high also, because the profit earned was heavily invested in R&D. Saleem would often say, “Turning

innovative ideas into reality is not a game of children. It takes a lot of effort, money and time to make something new and extraordinary.”

Even though there was a heavy demand of the DCX-24 product, it had many problems. There were manufacturing defects in its mountings, packing, assembly and errors in the software. DCX 24 was actually a fragile product and engineers were afraid to pack it. Often while the system was being packed, tightening of the screws would make it to stop working. The packing was done extremely carefully so that the fragile balance would not be disturbed. Once packed, engineers were afraid to open it, lest the system would stop.

There were often issues with the functioning of the systems at the clients' offices. Often a full-time employee had to be stationed at places where larger exchanges were installed, such as the hotels. The company was also getting substantial revenues from maintenance services. The mark-up would often go up to 400% on some orders. This was especially lucrative considering that all dues were taken in advance.

Mega Project was DCX 1000. It was unique in that it was PCM based instead of digital cross connect. It had several models. Baseline product had 200 lines, the next had 500 lines and then final configuration was 1000 lines. Many of the engineers at DC would feel about DCX-1000 that:

“This product was like a building that is vibrating to and fro. If it moved too much to the right you needed to push it a little to the left to stabilize it. If it went too much to the right, it would need a push in the reverse direction”.

This unit was installed at Marriott and required a permanent employee for maintenance on the site.”

Shaikh Riaz Ahmed says: “I still remember that I studied the BCG matrix during my MBA, it was also used by the marketing managers including myself and Mazhar. I would discuss the position of some products of Digital Communication in relation to the BCG matrix.”

SELECT CASE STUDIES OF PREVIOUS ISSUES

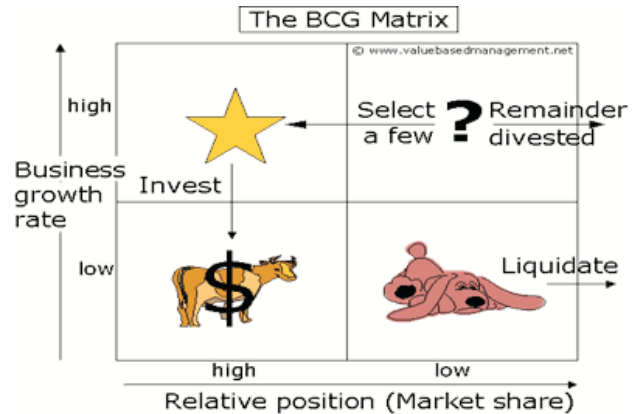
- ☐ DCX 24 was the star that later became the cash cow. Star and cash cow are basically two states of BCG Matrix.
- ☐ DCX 1000, on which a lot of investment was made, remained a question mark and was never properly commercialized.
- ☐ DCX 90 became a star and later on a cash cow.
- ☐ All other projects remained a question mark.

Eventually all of the product development teams disintegrated. Competitors entered with better products and more models. Quality that was already low further deteriorated. There was no costing, with the result that no one knew what was going in to produce the product; whether it was any longer profitable or not. DC was not efficient.

There were no procedures, no systems. However, employees had very high expectations. In one year, only 10% raise was given leading to a mini employees revolt. Employees started looking for jobs elsewhere. CTI (Carrier Telephone Industries) was holding interviews in Karachi. Navid Ansari, who was a candidate for the interview tells this story: “I told my colleague that I would be late for work, and went to the interview instead. When I arrived for the interview in a local hotel for the CTI job, I was surprised to see that my colleague was also there for the interview. The interviews were being conducted by Salman Ansari, CEO of CTI, who incidently was one of Saleem’s close acquaintances and had an association going back several years. When Salman learned that we were from DC, he called us first and after a brief interview asked us to leave telling us that our work at the office is suffering. When we reached the office, Saleem who had already been briefed, called our group head and admonished him and then gave us a substantial raise after a few days.”

DC maintained three classes of employees; Indispensable, dispensable but needed to be retained, dispensable that can be allowed to leave. The strategy being followed was to take the benefits from the dispensable employees and, if required, give them to the indispensable.

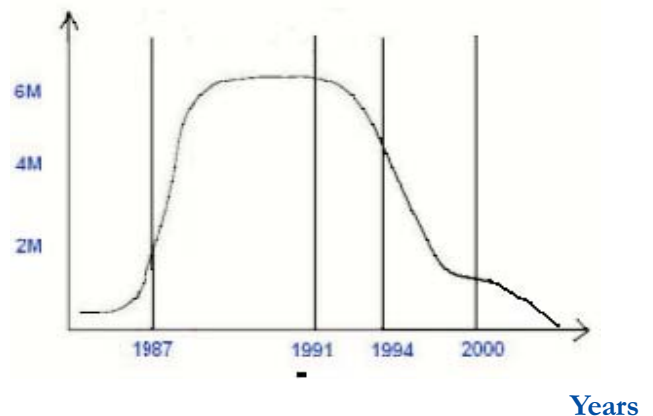
“The BCG Matrix Product Portfolio Method”



Finances

Saleem Siddiqui says, “Sales were approximately 58 Lacs per year from 1985 till 1991.”

Sales



It is estimated that in terms of percentage, costs were about 40-50% of the sales price. Revenues from new sales was about 60% and 30-35% from maintenance and after sales services. Margin ranged from 20-40%.

Major expenses included rentals. There were two offices owned by Saleem and two other offices on rental from 3rd parties in Karachi. Offices in Islamabad, Peshawar and Lahore were also on rent. Salary expenses, fuel & maintenance, R & D were the other major heads. Margins per year would often be Rs. 2.5 to 3 Million.

Servicing of liabilities such as those of suppliers, government departments, salaries and bank would be Rs. 2 Million per year.

For areas like production and R&D, the company needed funds. A “Running Finance Facility” was obtained from the banks. It was given on the basis of 75% worth of the property that was mortgaged. Salim mortgaged his 2 bungalows: 1 in DHA and the other in the PECHS. The National Bank of Pakistan provided the loan.

Because of the lack of proper costing, investment in to R&D was never properly accounted for and capitalized. The production cost may have been higher than what was understood due to a huge infrastructure and maintenance issues. Also, lack of cost accounting may have resulted in a perception of higher than actual margins.

End of Journey

I didn't realize I had spent two hours in the same position, sitting on my relaxed chair and watching scenes from my past eight years in the window, when my wife called me and asked,

“What's wrong with you?”

We all are waiting for you at lunch! I came twice before and called your name?
Are you listening to me?”

I said, “Hmm... I'm not hungry. Please go and give food to the kids. And just give me a cup of tea, I'm so tired.”

She went and came after a while with a nice smile as always, and, of course, a cup of tea. After that I lay down on my bed. I was feeling relaxed, though my memories were still with me.

“Ah! Saleem was a simple man. He did not travel on the back seat of the car and would ride on the front with the driver.”

As the car was turning in front of the Defence telephone exchange, two motorcycles came in front and shot. They missed the driver but hit Saleem. The driver tried to ram

the car in to the motorcyclist but failed. They ran away but Saleem had died. This was also the day when a delegation from Singapore had come to sign a contract for the supply of RISC based computers and its local development. Employees could do nothing more than the formalities. The delegation gave their condolences and left.

Just few months before the death of Saleem, there were several pending projects and uncontrollable expansions. Company was in a dire need for cash. The company had started borrowing right and left. The borrowing was often done at exaggerated rates without proper planning about paying the loans back.

At this time, Saleem-ur-Rahman may have been thinking about drawing some of his equity from the company so that he could provide some financial security to his family. This move by Saleem-ur-Rahman to withdraw part of his equity may have made other stakeholders suspicious. They may have thought that a substantial withdrawal may render the company unable to payback the loans and may not thereafter remain viable. This may have been a plausible cause of many of the altercations often reported among the directors. The affairs went from bad to worse. Till date nobody knows what led to the death of the CEO.

“After the death of our beloved CEO, I saw people change frequently. For some time, Saleem's uncle, a retired Navy Commander, became the CEO; but he had no vision and could not manage the highly talented bunch of employees”.

Saleem did not share his vision with his employees. Maybe he did not have a very crystallized view of the strategy or did not have a formal vision. He had more of an inspiration than a vision. He was a closed person who did not share his thoughts.

After the death of Saleem-ur-Rehman, Mrs. Saleem became the defacto chairman of the company.

“Mrs. Saleem started out as a simple lady who wore conventional dress and dupatta. Later, she went on a fast lane, along with the prevalent environment but still could not hold on to the crumbling edifice.” A couple of years after the death of Saleem, when the entire structure appeared to be collapsing and it was apparent that Mrs.

Saleem and the others at the helm would not be able to stabilize the company, a group of engineers came together and gave a proposal to the decision makers to bail out the company. They proposed that if the management of the company is transferred to them on a contract, they would steer it out from the doldrums. This was a group of engineers who had sacrificed and dedicated the best time of their life for the company. They felt bad that excellent R&D ideas that had been generated in DC and the hard work done to materialize them would go to waste unless some thing was done drastically different.

Navid Ansari says, “This was the time when the company should have been handed over to the technocrats for handling in a professional manner since it was in his tech business others among Mr. Saleem’s family did not possess necessary technical background”.

By late 1990’s, DC had many orders in the queue, but fund management was a major issue. Due to lack of professional management and working capital, DC was not able to make the delivery on the orders on time, which made the image of the company even worse. Eventually the company could not service its liabilities and was declared bankrupt. By that time, Saleem-ur Rehman’s wife had left the country. Saleem’s brothers-in-law came and disposed-off the property. They managed to settle the matter of liabilities.

People at senior positions had started to leave the company just after the death of CEO. Several started their own companies on similar lines of products with similar standards and procedures using similar business models. DC employees started 15 to 20 spin-off companies, including Softech Micro Systems, Precision Technology (Pvt.) Ltd. Megatech (Pvt.) Ltd., Syustek (Pvt.) Ltd., etc.

By 1992, R&D was completely empty. All research engineers had left the company and moved to companies formed either by them, or by some other senior engineers of DC. Systek was started by Navid Ansari, Mehmood Hussain and Afaq Haider. All three were of the same batch of NED University and were good friends. Megatec was started by Taimur Ahmed, Nasim Imtiaz and Farhat Abbas, also of DC. It was started much before the death

of Mr. Saleem-ur-Rehman. Infact Integrated Devices posed stiff competition to DC in the latter years. Integrated Devices was started by Amir Kabir and Nadeem Karamaly.

“Most of the companies that were spawned off by DC initially adopted the DC model. Companies that continued to retain the model folded up. Only those companies that were shrewd enough to modify and adapt the model to their own requirements actually succeeded and are still surviving. All others have closed down.”

In year 2000, Mrs. Saleem-ur-Rehman came back from Canada and signed a contract with Integrated Devices. Saleem Siddiqui says:

“It was a joint venture between DC and Integrated Devices. The new name was as IDC (Integrated Digital Communications). This venture worked for 2 years up to 2002.”

The contract was signed in March 2000 and ended in June 2002. In June 2002, DC finally stopped all of its operations. Since DC was declared bankrupt, all its equipments and buildings were taken over by National Bank of Pakistan. DC had taken loans at a very high interest rate, so everything left became property of the bank.

Saleem Siddiqui says,

“So that is how the dream of an enthusiastic Pakistani came to an end. We can say that DC was a one man show, and of course that honorable one man was Saleem-ur-Rehman.”

The story of DC was a one man show, and when the man died, several people came to take his place but no one was capable of handling a big ship hence the ship sank and the dreams of an enthusiastic Pakistani died with his death.

Acknowledgements

We would like to thank Mr. Shaikh Riaz Ahmed, Mr. Navid Ansari, Mr. Ansar, Mr. Salim Ahmed Siddiqui, Mr. Farhat Abbas, Mr. Danish and Mr. Shahid Latif for their time and effort.