

Delorean motor company

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Examining a Business Failure: Stainless Steel. Sleek. Gull-wing doors. Back to the Future. The DMC-12 is one of the most recognizable cars in history. John DeLorean, a former engineer and executive for General Motors, founded the DeLorean Motor Company in October of 1975 (Woron, 1982). DeLorean gained popularity for designing the Pontiac GTO and the Pontiac Firebird.

Many thought that John DeLorean was well on his way to being president of General Motors when he left the company in 1973 to start his own automobile company (Woron, 1982). DeLorean needed around \$175 million to finance the company, yet only put up around \$700,000 of his own money. For the rest, he used over 100 investors to finance his dream, including Johnny Carson and Sammy Davis Jr. (Manning, 2000). He also put over \$12 million into a partnership for research and development while the British government produced \$156 million in grants and loans in return for DeLorean locating the DMC factory in Northern Ireland (Manning, 2000).

The DeLorean factory created over 2000 jobs in an area with high unemployment rates. DeLorean had multiple million-dollar homes and paid himself a large salary. When it debuted in 1981, the DMC-12's sales could not foot the bill. The sports car had a lot of competition and was priced \$8,000 higher than the Corvette (Manning, 2000). In February 1982 the British government shut the factory down, John DeLorean began a drug-smuggling scheme to save his company and was busted by the FBI. John DeLorean's dream was over and left everyone with no return on their investment.

Robbins and Judge (2011) define leadership as the ability to influence a group toward the achievement of a vision or set of goals. Trait theories of leadership focus on personal qualities and characteristics (Robbins and
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Judge, 2011). John DeLorean had every characteristic of an effective leader. He was charismatic, highly successful, courageous, and influential. However, DeLorean had no emotional intelligence and without emotional intelligence a person can have outstanding training, a highly analytical mind, compelling vision, and an endless supply of great ideas, but still not be an effective leader (Robbins and Judge, 2011).

DeLorean's lack of emotional intelligence could have predicted the fall of the DeLorean Motor Company. DeLorean was not self aware, was unable to listen to what followers said, and did not read into the reactions of others. Big executives began leaving the company for a variety of reasons. Many accused DeLorean of being arrogant, disloyal, and distrustful (Woron, 1982). One executive, Robert Dewey, said, " John would surround himself with fairly intelligent people, but he wanted 'yes' men. You can get clones to do that. When you challenged him on a point, he felt you were challenging him.

You didn't have a dialogue with John. " (Woron, 1982). The fall of the DeLorean Motor Company could have potentially been prevented had John DeLorean listened to his followers. Management theories could have also predicted the failure of the DeLorean Motor Company. The contingency theory suggests that when management makes a decision they take into consideration all aspects of the current situation and act on those aspects that are key to the situation at hand (McNamara, 2011). John DeLorean failed to take all aspects into consideration.

DeLorean was starting a new automobile company, yet priced his car higher than the Chevrolet Corvette, Porsche 944, and Mazda RX-7, despite it having less power (Woron, 1982). All of these cars already had a reputation,

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DeLorean's DMC-12 did not. He also based the company in Ireland at a time when foreign cars were generally less expensive than those made in the United States. The downfall of the DeLorean Motor Company is largely due to its organizational structure. The company's organizational structure was very centralized, all the power rested at a single point (Mintzberg, Lampel, Quinn, and Ghoshal, 2003).

John DeLorean wanted to be that single point of power in his organization, but had over 100 investors. The company also had an innovative strategy, striving to achieve meaningful and unique innovations (Robbins and Judge, 2011). DeLorean chose to build his factory in Northern Ireland to take advantage of low worker wages and for easy access into the European market (Woron, 1982). However, the location of the factory proved to be more an obstacle for DeLorean as he struggled to spend time in Ireland.

DeLorean's other innovations included gull-wing doors and stainless steel body panels, but the cars ultimately had to be shipped to U. S. quality control centers to have the door fix the doors and realign body panels. The car ultimately received bad reviews stating the car was heavy, overpriced, and easily showed dirt (Woron, 1982). John DeLorean failed to break-even with the DMC-12 and the factory shut down in 1982. John DeLorean was acquitted of all drug trafficking charges. In 1998 and New York jury ruled that DeLorean's accounting firm owed investors \$46 million, plus \$65 million in interest.