

# **Dilemmas Faced by Businesses in a Mixed Development Strata Complex: Role of External Environmental Factors**

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*This case study is designed to help business students explore the complexities of external environmental factors and their impact on businesses. The case is built around the story of the Italian Forum, a mixed-use development in Leichhardt, an inner west suburb of Sydney in Australia. The Italian Forum was built on classic Italian architecture design principles which includes a mix of residential, commercial and cultural space. The New South Wales State Government granted the land for the Forum to promote and preserve Italian culture. After the initial euphoria and success, the businesses in the Forum started facing many complex and insurmountable challenges which has led to closure of many businesses. The efforts to revive the Forum continue till date.*

*Students are encouraged to examine all aspects of this live case to understand the challenges and propose realistic solutions, drawing on theories and models learned in business courses.*

*Limitations of the study include reliance on secondary research and qualitative data, which may restrict the depth of analysis available in this case study.*

*Keywords: business environment, business consulting, change management, strategic management, stakeholders, stakeholder management, external environment analysis, role of media, role of culture, multi-culturalism, conflict management, internal environment, role of government, strata management, role of social enterprise, microenvironment, macro environment, role of demographics, business strategy*

## **Case Study**

The Italian Forum is a unique architectural landmark built between 1998 and 2001 in Leichhardt, an inner-west suburb of Sydney, Australia. This mixed-use development was established on land donated by NSW Premier Neville Wran to support the Italian community's cultural heritage and provide a space for Italian Australians to preserve and celebrate their traditions. The Forum features a blend of residential apartments, commercial spaces, an Italian cultural centre, and a shared parking facility, attracting diverse stakeholders.

As part of the area once known as "Little Italy," the Italian Forum offered a taste of Italy, allowing the public to experience high-end Italian products and services. The Forum's success spanned from its opening in 1999 until around 2011-2012, with bustling shops, content businesses, and residential owners alike.

During this period, commercial property owners could charge annual rents of up to \$100,000, reflecting the Forum's popularity as a cultural and commercial hub.

However, according to a longtime commercial property owner, this success began to wane when the local government introduced street parking fees around the Forum. Norton Street, where many Italian shops catered to the needs of visitors seeking the "Little Italy" experience, became restricted with 2-hour or less parking between 8:30 am and 10:00 pm. Strict enforcement led to regular visitors receiving frequent fines, deterring people from returning. Consequently, the decline in foot traffic forced many iconic Italian shops on Norton Street to close as business owners sold or relocated. This generational shift saw fewer Italian-Australian proprietors in the area, further impacting visitor numbers to the Forum. Rising rents and decreasing customer numbers pushed several restaurants and retail shops in the Forum toward bankruptcy. One commercial owner, who once owned four thriving restaurants, lost all of them to foreclosure, with banks selling his properties at significantly reduced prices. This fire sale drastically lowered the market value of commercial properties within the Forum.

The developers of the Italian Forum envisioned a destination that embodied Italian culture, architecture, and lifestyle, even in a distant land like Australia. Developed by Challenge Property, the Forum was meant to be a piece of Italy within suburban Sydney, offering a piazza with a fountain, fine dining establishments, exclusive boutiques, and residential apartments—all designed to evoke the experience of being in Italy. With meticulous attention to detail, the Forum became a space where visitors could feel like they were dining on Italian streets.

Leichhardt has been an Italian cultural hub since the mid-20th century, particularly after World War II, when Italian immigrants began to settle in Sydney in large numbers. Even before British colonisation, Italian explorers and missionaries left their mark on Australia. Over time, Leichhardt became home to Italian families, whose bakeries, cafes, and speciality stores contributed to a vibrant community atmosphere. These Italian establishments served the community's needs and nurtured a sense of cultural continuity. Italian traditions were passed down through generations in local schools, while Italian-Australian identity blossomed through a blend of heritage and new Australian influences.

Yet, as the older generations passed on, newer generations of Italians began moving away from Leichhardt for various reasons. Recent demographic studies show that the Italian population in Leichhardt has significantly declined from mid-20th century levels. Factors such as high rent, the introduction of parking meters, increase in prices of properties, lack of supply of properties to match rising demand. This demographic shift contributed to the area's decline. Inner West Council Mayor Darcy Byrne remarked, "There are some nights you could shoot a cannon down Norton Street and not hit anyone."

In 2017, Joseph Carrozzi, then-president of the Italian Chamber of Commerce and Industry in Australia, urged the Inner West Council to "think big" to revitalise what was once "Little Italy." Carrozzi suggested transforming Norton Street into an Italian-style piazza to attract visitors back to the area, stating, "If there was a European square setup instead of gridlines, it would enhance the cultural hub and make it a place people want to visit." He believed such a change would create a safer, family-friendly atmosphere and draw families and elderly patrons back to Leichhardt.

Carrozzi's proposal followed data from the 2016 Census, which indicated that fewer than 500 Italian-born residents lived in Leichhardt, a 42% decrease since 2001 (David Barwell, Oct 2017, The Daily Telegraph). Today, Italian cultural influence in Australia endures, although it has evolved over time. Leichhardt's "Little Italy" has transformed into a multicultural district that reflects broader waves of immigration. Italian traditions remain cherished, now intertwined with Australia's diverse cultural landscape. The legacy of the Italian pioneers continues through the robust coffee culture, speciality stores filled with Italian delicacies, and, most importantly, in the hearts of Italian-Australian families who consider Australia home.

### **Origin of Italian Forum**

In recognition of the Italian community's significant contributions to Sydney, the Neville Wran government granted land to create the Italian Forum—a cultural hub for the inner-west. Opened in 1999,

the Forum was envisioned as a vibrant blend of restaurants, upmarket shops, and residential apartments, all centred around a piazza-style square.

Located at 23 Norton Street, Leichhardt, the Italian Forum features a galleried walkway that transports visitors from Norton Street directly into an Italian-inspired setting. With Tuscan architectural touches, warm tones of tan and burnt red, and a striking open space, the Forum creates an authentic Italian ambience.

Adding to this sophisticated European setting is the Galleria, a collection of designer boutiques offering a curated selection of European and Australian fashion. The commercial space spans two levels; on the ground floor, visitors find a variety of stores offering colourful accessories, homewares, jewellery, beauty services, and casual cafes.

These shops surround and overlook the expansive outdoor piazza, a welcoming space encircled by cafes and restaurants offering diverse dining options—from charming trattorias to fine Italian cuisine. (Source: The Challenge Property website).

### **Italian Forum Project Highlights**

- 157 Apartments
- 7,000 sqm Retail and Commercial (60 Shops)
- Council Library
- Italian Cultural Centre
- Piazza
- Commercial and Residential car park

There is a cultural covenant attached to the Italian Forum Cultural Centre and Piazza

- Five stakeholders- Commercial owners (53 shops. Some shops have been subdivided further to create-  $53+7=$  Total of 60 shops now)
- Residential owners (157)
- Car Park owner (2 car parks- Residential and Commercial- 96 car park spaces )
- The Cultural Centre Owner and Piazza owner have one common owner

Management Structure:

- Commercial Owners Committee (1 vote)- 9-11 members
- Residential Owners Committee (1 vote)
- Car Park Owner (1 vote)
- Cultural Centre owner (1 vote)
- Piazza Owner\*(1 vote)
- \*( Italian Cultural centre owner and Piazza Owner is same owner- Hence this owner gets 2 votes

Voting structure: Each of these owners has one vote.

- BMC (Building Management Committee) – Joint committee with all committee representatives for common property decisions.
- Residentials and commercials appointed a strata management company to manage the Forum. Two separate committees are appointed by each.
- The Strata Management company appoints the building manager with approval of Residential and Commercial committee.

### **Current Scenario**

Over the years, the Italian Forum has experienced a steady decline. Journalists have sought to uncover the reasons behind this downturn, with headlines such as “Leichhardt’s Italian Forum Goes from Retail Tiger to White Elephant” and “Rome’s Arches Have Stood for 2000 Years, But in Sydney’s Italian Forum, They are Crumbling.” Many questions remain unanswered, and the underlying issues persist despite investigative efforts. Legal disputes between Leichhardt Council and Forum administrators have only added

to the complexity, with community members expressing concerns that “if we are not careful, Leichhardt’s status as the spiritual home of Italian culture in Australia could be permanently lost.”

The local Council has attempted to revitalise the Italian Forum and the Norton Street shopping strip over the years but with limited success. In 2012, a council-commissioned study labelled the Forum “a white elephant due to poor management and high strata fees for commercial properties.” To stimulate growth, Leichhardt Council partnered with Renew Australia, a non-profit organisation that fills vacant spaces with creative start-ups. However, Renew director Marcus Westbury noted that persuading landlords to activate these spaces rent-free was a struggle, feeling like “two steps forward, one step back.”

In 2009, the Forum’s theatre and cultural centre—a key part of Neville Wran’s original vision—finally opened, supported by federal government funding championed by local member and now-Prime Minister Anthony Albanese. While this initially provided a boost, the complex went into administration in 2013. After prolonged legal proceedings, the charity Co.As.It. emerged as the Council’s preferred buyer for the cultural centre despite having submitted the lowest bid. Co.As.It. was chosen due to its dedication to Italian culture, as required by a covenant specifying the centre’s use for cultural and community activities.

Despite its cultural mandate, Co.As.It. has faced criticism for leasing the theatre to a private acting school instead of hosting Italian cultural events. The private acting school has recently left the Italian Cultural Centre in the Forum and no more hold the lease (2024). The Forum’s polystyrene arches—designed to evoke Rome’s iconic marble structures but found to be a fire hazard—became a symbol of the Forum’s troubles, as well as the focal point of a longstanding conflict between the charity, commercial operators, and residents (Sydney Morning Herald, 2022). Many business owners cite high vacancy rates, poor building management, and strained relations with Co.As.It., unfair and inequitable distribution of costs of operations and maintenance amongst stakeholders, poor design of SMS ( Strata Management Scheme), ongoing conflict between key stakeholders as some of the reasons for the Forum’s decline.

Today, the Forum is at a low point, with numerous empty storefronts, vacant restaurants, and signs of neglect evident in abandoned tablecloths and stacked chairs. Residents and shop owners point to issues such as parking meter installations, the bankruptcy of a prominent restaurant owner, and poor customer access as contributing factors to this downturn. In 2023, Co.As.It. sold the 5,000-square-meter site on Norton Street to the private development company Redstone, further unsettling residents and commercial lot owners, who were left wondering about the Forum’s future direction (Anthony Segart, 5 April, 2023). This news was seen as a positive news for commercial owners in the Forum. Since this development news broke out in the media, there are stories abound that this development deal may have fallen through the cracks. People are wondering if this developer is still in picture. No news on this front and questions by commercial owners remain unanswered (2024).

Despite slow changes, the Forum’s commercial sector continues to struggle. Increasingly, medical and allied businesses are replacing traditional retailers, one of the few sectors managing to survive within the Forum. Critics argue that the Forum’s commercial struggles are partly due to a flawed Strata Management Scheme (SMS) that has unfairly shifted common area expenses onto small commercial owners, leading to steep strata fees and business closures. Interestingly, while residential property values in the Forum have risen in line with Sydney’s market, commercial property values have consistently declined, diverging from broader Sydney trends.

One journalist pointed out that the Forum’s struggles reflect a broader trend across Sydney’s suburbs, with high vacancy rates and economic pressures affecting many areas, not just Leichhardt. Contributing factors may include high inflation, potential recession, changing consumer behaviours, and the growth of e-commerce. Numerous vacant shops display “for lease” or “for sale” signs, symbolising the Forum’s ongoing decline. Although COVID-19 accelerated this downturn, the issues tied to high strata fees for commercial spaces remain unresolved, leaving many Forum businesses in deep uncertainty.

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## APPENDIX

### Questions Related to Business Consulting Case Study

1. What are the key issues faced by businesses operating in the Forum?
2. What are the reasons that businesses are collapsing in the Forum?
3. You have been appointed as a management consultant by the Italian Forum based on your expertise, with the hope that you can turn the fate of the Forum around. What would you do?
4. If you were a business looking for a space to lease, would you take the lease? If yes, on what terms? If not, why not?
5. What kind of business would you like to open in the Italian Forum and why?
6. How would you approach this situation if you were Economic Development Officer in the local Council (local government)? How would you help businesses in the Forum and Leichardt? What would be your role in the turnaround of the Forum?
7. Identify the key issues that need to be resolved to bring this place back to its former glory.

8. The local Council wants to make Leichhardt Little Italy. What strategy can the Council use to make Leichhardt Little Italy? Can the Italian Forum play a part in this building of Little Italy? Please explain.
9. If you are a small business owner in the Italian Forum, how would you try to resolve the issues faced by the Forum?
10. What communication strategies would you like to apply?
11. What negotiation strategies would you apply to resolve the issues in the Forum?
12. "To complete this sophisticated European setting, the Galleria Designer boutiques offer the cream of European and Australian fashion. There are two levels of commercial space. On the ground level are stores for colourful accessories and homeware stores-jewellery and hair and beauty specialists-and casual cafe." Per the developer's vision, these businesses vanished quickly from the Forum. Many went into liquidation after the initial success.  
If you are a marketing expert, how would you bring this vision of the developers to life?
13. The problem faced by businesses in the Italian Forum, do small businesses across New South Wales face it? Justify your answer
14. If you were a member of the commercial owners' committee in the Italian Forum, what kind of power would you use to bring change to the Forum? Moreover, how would you use this power?

#### **Questions Related to Change Management**

1. What are the key issues faced by the Italian Forum?
2. Apply a relevant Change Management Model to analyse the situation and develop a solution.
3. Apply human-centred design thinking to analyse the situation and develop a solution.
4. Do you think it is a people issue or a system design issue? Analyse both and devise a solution to the issues faced by the Italian Forum.
5. Imagine you are a change management consultant appointed by the Italian Forum; apply Kotter's eight-step model to bring change.

#### **Questions Related to Organisational Behaviour**

1. What are your observations related to power and politics being played in the Italian Forum? Discuss.
2. Based on the case study, what type of leadership does the Italian Forum currently experience? What is the proposed leadership model which could work here?
3. What are some of the issues related to communication in the Italian Forum? What can be done to improve communication among stakeholders?
4. Apply conflict management strategies to analyse the issues faced in the Italian Forum and propose a strategy you think might be ideal for this Forum.
5. Who are the stakeholders, and how much power is held by each stakeholder? To find an ideal solution, what kind of power balance is required? What would you suggest if you were a consultant to the Italian Forum?
6. What role would you play in resolving issues if you are
  - a. Mayor of the local Council ( Local government) in inner-west Sydney under which Leichardt comes.
  - b. If you are a local Member of Parliament (State Government) for New South Wales.
  - c. If you are the Premier of New South Wales whose predecessor donated this land and put a cultural covenant on the Cultural Centre.
  - d. If you were Prime Minister of the Country living in the local government area.