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The Adoption of Bottom-up Governance in China's Homeowner Associations

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ABSTRACT Since China's marketization-featured housing reform, homeowner associations have played a greater role in neighbourhood governance. Using the theory of social movements and organizations, this article investigates how homeowner associations strategically reorganize themselves to achieve their goals. Our survey in Beijing suggests that about half of the homeowner associations have adopted bottom-up governance structures, which are not specified in governmental regulations. We find that such innovations are more likely to occur when a neighbourhood needs grassroots participation to deal with external grievances, especially developer-related issues, or to overcome its powerlessness due to little access to the polity. We also find that homeowner associations are more likely to adopt bottom-up structures when their leaders believe strongly in resident participation or actively engage in extra-organizational professional activities as a means to overcome infrastructure deficit.

KEYWORDS bottom-up governance, China, homeowner associations, leadership, organizational structure

INTRODUCTION

In the last decade, one of the most significant changes to neighbourhood development in urban China has been the commercialization of housing and, as a result, the rise of a brand-new neighbourhood organization: the homeowner association (HOA). China began its urban housing reform in 1988 and deepened the reform nationwide in 1998 (Kou, 1998; Wang & Murie, 1996, 1999). Before the reform, the Chinese government and state-owned enterprises, in the form of work units (*danwei*), were responsible for providing employees with dwellings and thus created what have now become 'old residential neighbourhoods' (*jiu juzhu xiaoqu*). After the reform, the housing units in old residential neighbourhoods – once allocated to urban residents through their work units at no cost – were assessed and sold, in most cases to the current occupants at low prices (Lee, 2000; Wang, 2010). This

change has been fundamental. For the first time since 1949, urban residents actually own their dwellings. Meanwhile, newly developed residential neighbourhoods (*xinjian juzhu xiaoqu*), in which real estate enterprises build commercial housing and sell it on the free market, have grown rapidly and, in many cities, already outnumber the old residential neighbourhoods (Qin, 2007).

In the newly developed residential neighbourhoods, traditional neighbourhood governance systems – notably work units and residents' committees (RCs, *jumin weiyuanhui*) – lose their influence. Work units have lost their legitimacy for governance because they no longer provide housing services (Guo & Pan, 2008). RCs, with limited financial and personnel resources, cannot keep pace with the rapidly changing neighbourhood boundaries, the growing number of residents, and the increasingly complex demands of homeowners (Liu, 2010). In these new neighbourhoods, HOAs have grown rapidly since 1998 and have become increasingly significant. For example, in 1999, Beijing had only 126 Neighbourhood Management Committees, the precursors to HOAs (Tan, 2000). As of 2006, about 511 of Beijing's newly developed residential neighbourhoods (or 18 percent) had registered HOAs (Ge, 2007). The rapid growth of HOAs was not only a response to a need to fill the governance vacuum in residential communities, but more importantly, was fuelled by neighbourhood residents' desire to protect their common interests through collective action. The Property Rights Law of the P.R. China, which is the first legislation in China to cover an individual's right to own private assets, did not come into effect until 1 October 2007. However, it did not clearly define residents' common property in neighbourhoods. Its effectiveness in dealing with property rights-related disputes remains unclear (Chen, 2007). Without adequate legal, institutional, and cultural protection for private common property, severe infringements upon residents' private property and other related rights by local governments, developers, and property management companies are commonplace in China. HOAs have been viewed as organized resistance. In fact, HOAs have taken a variety of actions to protect their members' interests, including advocating for legislation, demonstrating against the government and developers, litigating against the government, developers, and property management companies, and supporting candidates running for the Local People's Congress and RC (Cai, 2007; Chen, Shu, & Wang, 2004).

It follows that a social movement theory approach to studying the emergence and impact of HOAs may be productive. HOAs can be viewed as social movement organizations because they are analytically different from 'full-blown' bureaucratic organizations in one important aspect (Rothschild-Whitt, 1976; Zald & Ash, 1966): they are oriented towards a goal of social change, namely, the clearer definition – and more effective protection – of residents' private property rights and neighbourhood common property rights. The passage of the Property Rights Law of P.R. China in 2007 is at least partially credited to the HOA movement. First, the demonstrations organized by HOAs against developers increased the urgency to

publish a regulation that recognizes, defines, and protects private property rights (Zou, 2005). Second, many HOAs worked with research institutes to prepare suggestion letters and send them to the National Congress when the Property Rights Law is in discussion. For example, in January 2007, dozens of HOA Committees in Beijing jointly issued a public letter, which provided detailed suggestions to the National People's Congress for its legislative work on Property Rights Law and to the Beijing Municipal Government for the enforcement of the Guidelines of Property Management. Over 180,000 people signed the letter (Chen & Chen, 2007; Sun, 2010).

Some studies have examined the internal governance of HOAs through case studies (Du, 2006; Lei, 2010; Pan, 2008; Ren, 2008). For example, Du (2006) reported the emergence of representative structures in several neighbourhoods in Beijing. Ren (2008) described the building of a representative structure created by the Jianxiang Garden HOA and studied the legal basis of such innovations. These studies provide a wealth of descriptive details. However, most of these studies take a narrative form and thus cannot provide a structural framework in which HOAs can be comparatively analysed. Our study attempts to provide such a framework. Based on the theory of social movements and organizations, and using data from a systematic survey, we examine the most important factors impacting the strategic choice of governance structure made by HOAs considered as social movement organizations.

Existing regulations over HOAs in China (detailed in section 2) specify two primary governance structures: the general membership (*yezhu dahui*) and its executive unit – the HOA Committee (*yezhu weiyuanhui*). In reality, Chinese HOAs have introduced various innovations to improve their governance capacity. In this article, we focus on one type of structural innovation – bottom-up governance. Bottom-up governance refers to representative structures that HOAs create to mobilize, encourage, and institutionalize ordinary residents' participation and input. They are innovations since current regulations do not stipulate any representative mechanisms. We document these innovations and further investigate the factors that lead HOAs to pursue bottom-up governance. Factors that drive innovations in China's business organizations have been studied (Phan, Zhou, & Abrahamson, 2010). In contrast, innovations in China's non-profit organizations have received relatively little attention.

BOTTOM-UP GOVERNANCE: AN INNOVATION OF CHINESE HOAS

Regulations on HOA Governance

The main regulations over China's HOAs are two central governmental rules that were issued in 2003. One is the 'Regulations on Real Property Management'

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(hereafter referred to as '2003 Regulation') promulgated by the State Council. The other is Executive Order No. 131 – 'The Notice of the Ministry of Construction on Distributing Rules and Procedures of Homeowner Associations' – issued by the Ministry of Construction. These two central government documents provide the guiding framework for the establishment and governance of Chinese HOAs (Wang, 2010). According to the regulations, the general membership and the HOA Committee are HOAs' main governance structures.

General membership is the decision-making unit, responsible for matters of common interest in residential neighbourhoods, such as enactment and modification of Homeowners' Covenants, election and impeachment of HOA Committee members, and selection and dismissal of the property management company (Article 11, 12, 2003 Regulation). The regulations set very stringent voting rules for general membership meetings. Decisions regarding the collection and utilization of special maintenance funds, and the repair and reconstruction of buildings and accessory facilities must get approval from (i) at least two-thirds of the homeowners, and (ii) homeowners whose exclusive dwelling areas account for more than two-thirds of the total area of neighbourhood buildings. For other important decisions, the required threshold for approval is reduced to 'at least half', which is still too high to reach in most cases.

The HOA Committee, the executive unit of the association, is directly elected by the general membership. Regulations specify the responsibilities of the HOA Committee, including convening HOA general membership meetings, signing contracts with selected property management companies, and gathering opinions and suggestions from homeowners (Article 15, 2003 Regulation). However, there is considerable ambiguity in the regulations about how HOAs should be organized and governed.

These regulations have led to extremely weak neighbourhood governance bodies. First of all, the high voting requirements paralyze general membership meetings. It is very hard, if not impossible, to reach both of the two-thirds thresholds in neighbourhoods with hundreds or even thousands of members (see Wang, 2010). First, many homeowners buy dwelling units as investment properties and do not actually live in the neighbourhood. A report suggests that in 660 cities, about 654 million sold units had no people live in them (Zhang, 2010). Second, the majority of homeowners are middle-class with busy work schedules. Except for rare occasions, issues on the agendas at general membership meetings cannot attract their attention (Yu, 2008). Therefore, it is a daunting task to organize a successful general membership meeting. Our survey (discussed later) finds that 38 percent of HOAs did not hold membership meetings annually. Some neighbourhoods have not even had one general membership meeting since the establishment of their HOAs.

HOA Committees' capacity is also weakened by the increasing number of issues they have to deal with, and by their lack of legitimacy in dealing with these

issues. Because it is hard to hold a general membership meeting, in most cases HOA Committees, although designed as executive bodies, take on many decision-making responsibilities (Wang, 2008b). In a sense, the committee becomes the sole neighbourhood governance body, making decisions on behalf of homeowners, dealing with developers and property management companies, and so forth. With so many issues on the agenda, HOA Committees and their leaders often feel overwhelmed.

The ambiguous legal status of HOAs and HOA Committees also impair their functioning. The Property Rights Law and 2003 Regulation recognize the establishment of HOAs but do not give HOAs the status of a legal entity (*faren*). They are neither social nor business organizations because they cannot register with the local Bureau of Civil Affairs that manages social organizations, or with the local Bureau of Industry and Business Administration that manages business organizations. As unincorporated associations, HOAs and their committees cannot fulfil their legal rights and liabilities, and also cannot bring a lawsuit that is not related to property management (Xia, 2007). Therefore, the legitimacy of HOA Committees is often challenged by external parties. Internally, the legitimacy of committees is also often questioned since they sometimes need to serve the role of decision-maker that goes beyond the legal description of their responsibility.

In summary, the elected HOA Committee, which normally only consists of seven to nine people (Chen, Cao, & Sun, 2009), has very limited governance capacity. In response to this predicament, many elected HOA Committees have adopted bottom-up governance structures to enhance their capacity, and it is to these innovations that we now turn.

Bottom-up Governance

Our survey in Beijing suggests that HOAs have created two types of structures to mobilize, encourage, and institutionalize ordinary residents' participation and input. One is the building/flat captain system. Nominated by the HOA Committee, or recommended by residents, the building/flat captain serves as a bridge between neighbourhood residents and the HOA Committee. The building/flat captain is responsible for sending newsletters and notices to residents in the building so that every resident is informed of what is going on in the neighbourhood, as well as collecting complaints and suggestions from residents so that the HOA Committee knows residents' common concerns. Although not formally elected by residents, building/flat captains are in fact the representatives of their buildings or flats. Their opinions are often very important in decision-making processes, as they know the needs of their neighbours and normally have a close relationship with them. The other is a formal representative assembly. It is a neighbourhood version of Western representative democracy.

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One or more buildings are designated as a district. Every district elects its own homeowner representatives, who further form a policy-making body for the association. In these HOAs, the HOA Committee truly serves as an executive branch, and the decision-making power rests with the representative assembly.

Bottom-up governance can help enhance governance capacity. First, the representative structure provides continuous legitimacy to the HOA Committee. Second, these structural innovations provide additional human resources to the HOA Committee and formalized channels to mobilize general members' participation.

To better understand bottom-up governance, it is useful to contrast it with an approach that we term 'technocratic governance'. In fact, technocratic governance is what the regulation implies. The elected HOA committee is often composed of citizen activists in the neighbourhood, who are normally managers or engineers in private or international enterprises, retired civil servants or managers in state-owned enterprises, professors, lawyers, professional writers, etc. These experts are expected to be the backbone of community governance. Some HOA Committees extend this technocratic governance structure by creating temporary or standing subcommittees or task forces for specific issues, or monitoring committees consisting of three to five homeowners who oversee the work of the HOA Committee. The purpose of all these measures is to get more professionals or experts involved in neighbourhood governance. From a pragmatic point of view, these professionals or experts are sometimes very useful. For example, they may have legal backgrounds that are valuable in dealing with disputes with developers, or they may have political connections that can help resolve public service issues. Therefore, many HOAs, including those with bottom-up structures, have established such subcommittees or task forces. Our survey shows that 76 percent of HOAs involve local experts in some manner. About the same percent of HOAs with established bottom-up governance also solicit input from local experts.

The technocratic approach on one hand, and bottom-up approach on the other, reflect two very different philosophies of governance. As mentioned earlier, the technocratic approach largely follows the logic of the regulations: it relies on HOA leaders to manage neighbourhood issues. Thus, the effort to involve more local experts is no more than an attempt to expand the base of the governing experts, and thus represents no real innovation. By contrast, the bottom-up approach represents a move towards more open governance structures, since it welcomes and encourages the participation of general homeowners. In this article, we treat technocratic governance as a default option for HOA governance, and we focus on the innovation of HOAs that invites the participation of general members, asking why some HOAs have pursued general participation while others have not.

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FACTORS LEADING TO BOTTOM-UP GOVERNANCE: RESEARCH HYPOTHESES

The adoption of bottom-up governance is a conscious strategic choice of HOAs to achieve their primary goal of protecting residents' private property rights and neighbourhood common property rights. It is important to realize that such a choice does not come without a price. Besides additional demands on energy, time, and financial resources (Rich, 1980b), such structures may make it harder for HOAs to file (*bei'an*) with government agencies as these structures are not specified in the HOA regulations (for details regarding the difficulty of the HOA filing process, see Wang, 2008a). It may also present HOAs with further difficulties. In our interviews, some HOA leaders who showed strong interest in these structures nevertheless hesitated to establish them because of concerns with the potential difficulties. Institutional theory (DiMaggio & Powell, 1983) suggests that when an environment creates uncertainty, organizations tend to follow the norm. They do what other organizations do and do not innovate. In the case of Chinese HOAs, the apparent norm is what the government has specified in the regulations. Deviation from such a norm – by creating a bottom-up structure – is not an obvious strategic choice HOAs should pursue. Therefore, the question is why HOAs want to adopt this strategy. The strategic choices that social movement organizations make to advance their interests has been acknowledged and discussed by social movement theorists (for example, Martin, 2007; McAdam, 1983). Their studies provide a useful framework for analysing the conditions that drive Chinese HOAs to explore strategic innovation in organizational governance.

Social Frustrations and Organizational Strategies

Early social movement research, for example Gurr (1970) and Turner and Killian (1972), focused on the close link between the frustrations of a collectivity of actors and the growth and decline of movement activities (McCarthy & Zald, 1977). Scholars further suggest that the power relationship in dealing with these social frustrations may determine a social movement organization's strategy. For example, McAdam (1983) observed that in the black insurgency between 1955 and 1970, challengers were in an institutionally powerless position and therefore developed tactical innovations, such as bus boycotts, sit-ins, and riots, to overcome their powerlessness. Rothschild-Whitt (1979) suggests that when innovations depend on a movement's internal support base, they are more likely to be participatory-democratic. In relation to neighbourhood organizations, Purcell (1998) argued that when they do not have sufficient economic, political, and information power to deal with external parties, neighbourhood organizations often choose to develop organizational power by increasing member support and involvement.

Now let's turn to the social frustrations in China's newly developed neighbourhood and the power structure in dealing with these frustrations. Our survey

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suggests that the common issues Chinese HOAs deal with fall into two broad categories that involve different agents. The first involves developers who are external to the neighbourhood, while the second is related more to the property management company, which resides within the neighbourhood. The different nature of these issues requires HOAs to adopt different treatment strategies.

Developer-related issues include construction quality, deeds, and various types of infringement of property rights by developers. For example, developers have sold neighbourhood parking lots to outsiders so that neighbourhood residents have no parking spaces, and have replaced a planned kindergarten with a shopping centre. These issues are usually complex, with huge economic stakes. HOAs often find themselves in an unfavourable position when dealing with these issues (Wang, 2010). First, unlike Western countries where property rights are well-established, homeowners' property rights, especially those related to neighbourhood common property, are not clearly defined by regulations in China. Second, when seeking mediation from local governments, homeowners often find that developers have a far stronger influence over government agencies because of their economic power and political connections (Blandy, Dixon, & Dupuis, 2006; Blandy, Dupuis, & Dixon, 2010). As Purcell (1998) argued, organizational power based on member support and participation is critical if HOAs are to protect neighbourhood interests. This is also true for Chinese HOAs, especially when the economic stakes are large, when developers and HOAs have highly unbalanced bargaining power, and when government agencies tend to side with developers (Wang, 2010). In this situation, dialogue and collaboration are less useful than confrontation, for which it is critical to mobilize residents and obtain more organizational power from the membership. The best way to do so is to establish bottom-up governance structures.

In contrast, when dealing with issues that involve property management companies, dialogue and collaboration are more appropriate than confrontation. Property management companies and homeowners reside within the neighbourhood. Their symbiotic relationship provides an incentive to solve issues through a collaborative instead of a confrontational approach. This strategy is reinforced by the fact that these issues are often less complex and involve smaller economic stakes than developer-related issues. Therefore, we hypothesize that:

Hypothesis 1: HOAs that are threatened by powerful actors outside their neighbourhoods are more likely to adopt bottom-up governance structures.

Access to the Polity

Social movement theorists, for example Tilly (1978) and Jenkins (1983), have argued that having entrée to the polity is the main ingredient for success. Polity access creates a qualitative increment in the return to social movements, and it

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shelters movement against repression. In contrast, when social movement organizations have no access to the polity, they find themselves in an excluded or challenged position in which 'they lack the basic prerogative of members – routine access to decisions that affect them' (Gamson, 1975: 140). As McAdam (1983: 735) has argued, in these situations, the key challenge confronting social movement organizations is to 'devise some way to overcome the basic powerlessness that has confined them to a position of institutionalized political impotence'. The solution is to strategically use non-institutionalized tactics that 'bypass routine decision-making channels to force their opponents to deal with them outside the established arenas within which the latter derive so much of their power' (735).

The social movement theorists' account of 'access to the polity' clearly suggests that whether an HOA adopts bottom-up governance hinges upon its access to the existing polity. When access is not available, HOAs have a need to go beyond the government-sanctioned technocratic approach and establish structures that facilitate grassroots participation in order to increase their power when confronting developers and local governments.

In this study, we use the socioeconomic status (SES) of neighbourhood residents as a measure for the extent of HOAs' access to the polity. As Graham and Hogan (1990) argued, upper-class neighbours are best able to influence local policy-makers, not simply because they are wealthy but more importantly because they enjoy the benefits of routine, private access to local officials. Similarly, Gittell (1980) argued that residents with high SES often have good individual access to the system that they are socialized to manipulate. In contrast, a neighbourhood composed of low SES residents must make ongoing efforts to maintain the efficacy of their organization, relying on organized and mobilized constituents rather than a few wealthy supporters (Oliver, Marwell, & Teixeira, 1985; Olson, 1965). These differences, plus the high opportunity cost for participation by upper-class residents, lead to our second hypothesis:

Hypothesis 2: Neighbourhoods composed of low SES residents are more likely to adopt bottom-up governance structures.

Leadership

Analysing leadership is a crucial aspect of the study of social movement organizations. As Zald and Ash (1966: 338) argued, 'because the situation of the MO [movement organizations] is unstable, because the organization has few material incentives under its control, and because of the nonroutinized nature of its tasks, the success or failure of the MO can be highly dependent on the qualities and commitment of the leadership cadre and the tactics they use'. The prominent role of leadership is further reinforced in McCarthy and Zald's (1977) argument for an entrepreneurial theory of movement formation in which the major factor is the

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availability of resources, especially cadres and organizing facilities (Jenkins, 1983). Social movement leaders often strategically use different tactics to frame social grievances, organize participation, and mobilize the general public.

Leadership matters also because of the ideological component that leadership brings to the organization. Ideologies present 'ways of looking at life, modes of orienting towards the environment, appropriate styles of working together, and types of approaches for confronting external action systems' (Schwirian & Mesch, 1993: 97). Leaders' ideologies may determine the tactics, processes, and outcomes of social movement organizations. For example, Heskin (1991) studied how different groups in a community respond to a highway development project and reported that leaders' ideologies changed the processes of collective action and therefore the result.

Along the same line, scholars have argued that the role of leadership is particularly crucial for voluntary organizations such as HOAs, which rely on the efforts and energy of a small number of people (Ohmer, 2007; Plowman, Solansky, Beck, Baker, Kulkarni, & Travis, 2007; Prestby & Wandersman, 1985). Neighbourhood leaders who believe that general homeowners can influence the outcomes of important matters through their actions are more likely to adopt measures to encourage participation. Studies have shown that leadership is an important factor for resident participation in private neighbourhood association affairs (Read, 2003; Rich, 1980a). Therefore, we expect that HOA leaders would have significant influence on the decision of an HOA to adopt bottom-up governance. We have formulated our third hypothesis:

Hypothesis 3: HOAs whose leaders have a strong belief in the active role of general homeowners are more likely to adopt bottom-up governance structures.

Infrastructural Deficit and External Communication

Social movement theorists have emphasized that pre-existing infrastructure is critical for the development of social movements since it reduces the cost of organizing by facilitating the acquisition of information and resources. For instance, the pro-life movement's initial dependence on the infrastructure of the Catholic Church and, later, on those of fundamentalist Protestant churches was crucial to its growth (McCarthy, 1987). Therefore, when pre-existing infrastructure is not available, that is, when there is a case of infrastructural deficit, it is critical for emerging social organizations to develop appropriate strategies to copy with the 'thin' infrastructures (Swaminathan & Wade, 2001).

Chinese authoritarian tradition does not provide cultural support for citizen participation nor does the current political system provide institutional support. As citizen-initiated and self-governing neighbourhood organizations, HOAs can hardly identify a pre-existing infrastructure they can utilize. Facing such an

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infrastructural deficit, HOA activists are building organizational networks to facilitate external communication and exchange of ideas, with assistance from research institutions (e.g., the well-known Haidian Governance & Community Institute) and business firms (e.g., Sohu housing focus website) and other neighbourhood institutions. In our participatory observations, we observe that an important theme for many of these extra-community activities is to discuss the feasibility and operational issues of bottom-up governance.

External communication represents an organization's ability to be in contact with and scan its task environment (Damanpour, 1991). It reflects the degree of an organization's involvement and participation in extra-organizational professional activities. Studies have shown that external communications can bring innovative ideas (Jervis, 1975; Miller & Friesen, 1982) and act as a strong and significant determinant of innovation (Damanpour, 1991). As mentioned earlier, bottom-up governance is a new idea for HOAs that represents a deviation from what current regulations specify. Most HOAs do not have much knowledge and experience in organizing resident participation through well-designed institutional arrangements. The interactions with the aforementioned emerging organization network could help HOAs obtain information and organizational support and therefore facilitate the acceptance and adoption of bottom-up governance. Therefore, we hypothesize:

Hypothesis 4: HOAs whose leaders actively participate in extra-organizational professional activities are more likely to adopt bottom-up governance structures.

METHODS

Sample

The sample comprises ninety-one HOAs registered in Beijing. The city of Beijing is chosen as the study site mainly because it is the place in which our professional and academic contacts enabled us to implement the overall research design. The second reason is that Beijing is widely agreed among Chinese scholars as a place where HOAs have developed diverse innovations in internal governance. Granted, focusing on HOAs in one city has limited the generalizability of this research. In the future, we plan to extend our studies to other Chinese cities so that we can provide a broader picture of the development of Chinese HOAs and a better understanding of how they carry out their functions.

The sample was selected with a snowball sampling method. This is due to the fact that it is extremely difficult to obtain HOA leaders' contact information. In the beginning, we randomly selected 110 HOAs from a list of HOAs that had been filed with local governments in Beijing by 2005, a list that the Beijing Municipal Construction Committee released on its official website. The list provided only very limited information about the 313 HOAs in residential neighbourhoods,

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including the organization name, occupied area, registration year and month, and HOA Committee director names. Because contact information is not available and researchers can not enter the gated neighbourhoods, it was difficult to approach the selected HOA leaders. When the selected HOA leaders could not be reached by any means, we used replacements that were identified by means of the snowballing method. We asked interviewees to provide other HOA leaders' telephone numbers.

The replacements through snowballing might increase the sample bias, because the technique itself reduces the likelihood that the sample will represent a good cross-section of the population. However, at the time of the survey, this was the only approach that would obtain a reasonably sized sample. We have made every effort to improve the quality of the sample by making sure that the replacement was as similar as possible to the replaced HOA in terms of neighbourhood SES, size and building type (according to online information and scholars, community activists, and interviewees who helped identify replacements).

Data Collection

We employed a variety of data collection strategies, including surveys, participant observation, focus-group discussions, and archival studies to gather quantitative and qualitative data about Chinese HOA contextual neighbourhood characteristics, internal operations, and HOA leaders' personal opinions about HOA operation and residents. All the quantitative data in this study come from interviews conducted from March 2006 to February 2007. HOA leaders – HOA Committee directors and core committee members who played pivotal roles in organizational development and operations – were chosen as interviewees. In most cases, we tried to contact HOA Committee directors. If they were not available after several attempts, we turned to vice directors or core committee members.

The strength of surveying organizational leaders is that it provides a generalized dataset on the characteristics and practices of HOAs. Many scholars in grassroots organization studies (such as Galaskiewicz, 1979; Hunter & Staggenborg, 1986; Knoke, 1988; Rabrenovic, 1996) support this methodology of interviewing high-ranking officers to gain information concerning neighbourhood organizations. In any association, an active minority and inactive majority exist among members (Barber, 1965; Rabrenovic, 1996; Wood, 1981). The Chinese HOA leaders usually are the founders of their organizations and are most familiar with their history and development. They are also the ones who establish organizational norms and structures. Thus, they are an important source of information on neighbourhood and HOA operations. We interviewed 126 HOA leaders from 91 HOAs. The questionnaire has two parts: the first part is on neighbourhood and HOA characteristics; the second part is on HOA committee directors' characteristics and opinions. For some HOAs, the first part is answered by several HOA leaders

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collectively. Since the first part includes only objective questions, we think that this approach is suitable and has the advantage of ensuring better accuracy.

Surveys were conducted through face-to-face interviews. The face-to-face method is an effective approach for gathering data when the survey instrument is lengthy (Patton, 1990). It allows more complex questions to be asked and enables researchers not only to observe and listen but also to solicit information that respondents would not otherwise provide (Seidman, 1991). More importantly, in the pilot test stage, we found that most HOA directors preferred face-to-face interviews rather than filling out questionnaires because they considered the conversation a chance to communicate with researchers. In the interviews, we allowed the order of questions to change when the respondent began to talk about certain issues that would have been asked about in later sections.

Measures

The central task of the empirical analysis is to examine the factors that lead to the adoption of bottom-up governance. The dependent variable is a dichotomous decision: whether or not to adopt bottom-up governance. An HOA is considered to have adopted bottom-up governance as long as it adopted a building/flat captain system, or a formal representative assembly, or both. The sample shows that about 25 percent of the 91 surveyed HOAs adopted a building/flat captain system but not a formal representative assembly; 8 percent adopted a formal representative assembly but not a building/flat captain system; and 16.5 percent adopted both. All together, about 50 percent of the surveyed HOAs adopted bottom-up governance.

Below is a list of independent variables, which are also summarized in Table 1.

Number of neighbourhood issues. In our survey, we presented a problem list as shown in Table 2 and asked interviewees to indicate whether each of the problems used to be or still were a serious concern for their neighbourhood. Table 2 is constructed based on participant observation, focus group discussion, and archival studies before the development of the survey questionnaire. It represents a fairly complete list of problems HOAs typically struggle with. We constructed two variables – *Number of developer-related issues* and *Number of property management-related issues* – by tallying the number of problems that interviewees indicated were a serious concern for them. The distribution of the number of developer-related problems is highly skewed. About 44 percent of the neighbourhoods indicated that all of the six listed problems were serious concerns. Neighbourhoods that identified four or more problems as serious concerns account for 77 percent of the sample. This suggests that conflict with developers is a widespread phenomenon in new neighbourhoods and a challenging issue for neighbourhood governance. The distribution of the number of property company-related problems is less skewed, with a mean of 3.97 and standard deviation of 1.61.

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Table 1. Descriptive statistics of dependent and independent variables

	Mean	*Std. Dev.*	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*
(1) Bottom-up governance (DV)	0.52	0.50	1.00										
(2) Neighbourhood size (Unit: thousand)	1.00	0.70	0.12	1.00									
(3) Neighbourhood age (Unit: month)	66.60	27.48	0.02	0.09	1.00								
(4) High-rise neighbourhood	0.49	0.50	–0.27*	–0.22*	–0.03	1.00							
(5) Number of developer-related issues	4.56	1.78	0.11	0.10	–0.28*	0.15	1.00						
(6) Number of property management-related issues	3.97	1.61	–0.03	–0.01	–0.01	0.20	0.40*	1.00					
(7) High SES	0.33	0.47	–0.26*	–0.20	0.18	0.15	–0.09	–0.09	1.00				
(8) Medium SES	0.31	0.46	–0.02	–0.12	–0.10	0.15	0.11	0.13	–0.47*	1.00			
(9) Low SES	0.36	0.48	0.27*	0.32*	–0.08	–0.29*	–0.02	–0.04	–0.53*	–0.50*	1.00		
(10) Leader's attitudes towards participation	0.27	0.45	0.41*	0.11	–0.05	–0.09	0.02	–0.11	–0.16	0.00	0.16	1.00	
(11) External communication	5.13	6.63	0.23*	0.09	–0.07	0.18	0.18	0.14	0.09	0.01	–0.10	0.36*	1.00

Note: * indicates a 0.05 level of significance.

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Table 2. Neighbourhood issues faced by Chinese homeowner associations

Issue types	*Issue themes*	*Specific issues*
Developer-related issues	Neighbourhood common property	1. Breaching agreement (e.g., decrease in green space) 2. Changing approved development plan (e.g., the planned kindergarten replaced by clubhouse) 3. Lack of common facilities (e.g., no heating facilities installed, etc.) 4. Infringement of common property rights by developers (e.g., property management building/rooms sold to others, etc.)
	Construction quality and deeds	5. Construction defects (e.g., leaking roof) 6. Deed problems (e.g., smaller units than agreed, deed process delayed)
Property management-related issues	Property management services and fees	7. Problems with provision of water, heating, and electricity related services 8. Problems with neighbourhood cleanup and beautification 9. Problems with neighbourhood security services 10. Problems with neighbourhood transportation and parking management 11. Problems with other services (e.g., road maintenance) 12. Problems with property management fee
	Fees and common income	13. Problems with common income (e.g., management companies retain income by renting out neighbourhood common areas)

Neighbourhood socioeconomic status. The indicator for neighbourhood SES is the average housing price per square metre. With no census data on individual and family income, education, occupation, or other demographic information, Chinese researchers on community development usually use average housing price per square metre as the measure for neighbourhood SES. Considering that Beijing housing prices increased rapidly after 1999, for those neighbourhoods formed before 1999 we classified the neighbourhoods as relatively low SES if the neighbourhood average housing price was less than or equal to RMB4000/m^2, middle SES if the average housing price fell in the range of RMB4000/m^2 to RMB5000/m^2, and upper class if the average housing price was higher than RMB5000/m^2. For neighbourhoods formed after 2000, the cut-off prices are RMB5000/m^2 to RMB7000/m^2. In our sample, high, medium, and low SES neighbourhoods had roughly equal representation, accounting for 33 percent, 31 percent, and 36 percent of the survey neighbourhoods respectively.

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Leader's attitudes towards participation. In the survey, we asked HOA leaders to indicate the importance of sixteen factors in dealing with neighbourhood issues, using four-point Likert scale responses. The participation of general homeowners and the participation of professional elites are among the sixteen factors. This variable is equal to 1 if a leader valued the participation of general homeowners over the input of professional experts. In our sample, only a small number of HOA leaders, about 27 percent, believed strongly in the participation of general homeowners. This reflects the lack of cultural support for citizen participation in China.

External communication. In the survey, the respondents were asked: 'Since the establishment of your association, how many times have you attended the workshops, seminars, or forums regarding neighbourhood governance or property management held by research institutions and other non-profit organizations (e.g., Haidian Governance & Community Institution), business entities (e.g., Sohu housing focus, Ihome.cn and other websites), and other neighbourhood organizations'? This variable is used in the analysis as an indicator for the extent to which HOA leaders engaged in extra-organizational professional activities. Although some HOA leaders were very active in extra-organizational professional activities, most were not. The largest number of participation in these activities was thirty times, but the average was as small as 5.13. About 10 percent of the HOA leaders had never attended these activities.

Control variables. In addition to the above explanatory variables, we included three neighbourhood characteristics as control variables. The variable of *number of households* is included as a measure of neighbourhood size, and the variable of *months since first move in* as a measure of neighbourhood age. We also included the variable of *tower-building neighbourhood* as a control variable. This is a dummy variable which is equal to 1 if a neighbourhood consists of only tower buildings and does not have multi-story buildings, townhouses, or villas, and 0 otherwise. This variable is important because the bottom-up structure may be less attractive in tower-building neighbourhoods, because it is relatively easier to encourage and ensure participation in these communities. In tower-building neighbourhoods, it is easier to send and collect ballots and other forms of input than it is for residents of the sprawling neighbourhoods with dozens of multi-story buildings. The surveyed neighbourhoods varied in size, with the smallest neighbourhood having only 175 households and the largest having 3728 households. On average, each neighbourhood was composed of about 1000 households, which is much larger than their Western counterparts. Bell (1998) reported that each HOA has approximately 150 units in the United States (Bell, 1998: 243). Since housing reform did not intensify until 1998 in China, the neighbourhoods with HOAs are young. The oldest neighbourhood had a history of just 140 months (since the first owner moved in), while the newest one had been in existence for less than two years (twenty months). When it

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comes to the building types, about 49 percent of the neighbourhoods were composed of tower-buildings only, while the other 51 percent were mainly composed of multi-story buildings, townhouses, or villas.

ANALYSES

Because of the dichotomous nature of the dependent variable, logit regression is an appropriate model for analysing how factors of interest affect HOAs' adoption of bottom-up governance. More specifically, we employ the following specification:

$$\log\left[\frac{P_i}{1-P_i}\right] = \alpha + \beta' X_i + \gamma' Z_i + \varepsilon_i$$

where P_i stands for the probability that HOA i adopts bottom-up governance. X_i is a vector of explanatory variables that correspond to our research hypotheses, while Z_i stands for a vector of control variables. ε_i is an error term that follows an extreme-logistic distribution.

RESULTS

Table 3 reports the logit regression results. The first column excludes the variables *External communication* and *Leader's attitudes towards participation*; the second uses all variables. Some interviewees did not provide information to the questions that these two variables are built upon. Including them in the regression would have

Table 3. Logit regression results for bottom-up governance

	Adoption of bottom-up governance structures	*Adoption of bottom-up governance structures*	*Odds ratio*
Neighbourhood size	−0.14 (0.37)	0.14 (0.22)	1.15
Neighbourhood age	0.01 (1.00)	0.02 (1.60)	1.02
Tower-building neighbourhoods	−1.04 (2.10)*	−1.52 (2.19)*	0.22
Number of developer-related issues	0.26 (1.65)†	0.40 (1.71)†	1.50
Number of property management-related issues	−0.11 (0.69)	−0.34 (1.44)	0.71
Medium SES	0.78 (1.33)	1.42 (1.69)†	4.14
Low SES	1.46 (2.40)*	1.97 (2.06)*	7.19
Leader's attitudes towards participation		1.80 (2.17)*	6.05
External communication		0.11 (1.85)†	1.12
Constant	−1.39 (1.24)	−3.22 (1.96)*	
Likelihood Ratio Test (P-Value)	0.03	0.00	
Pseudo R^2	0.13	0.34	
Observations	91	72	

Note: Absolute value of z statistics in parentheses. †$p < 0.10$; *$p < 0.05$.

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caused the loss of observations. The pseudo R^2 for these two specifications are 0.13 and 0.34 respectively, which suggests a good model fit (Louviere, Hensher, & Swait, 2000). It is worth noting that the key findings from specifications 1 and 2 are the same. We use estimates from specification 2 in the following discussions. Column 3 reports odds ratio estimates from specification 2.

The coefficient for the *Number of developer-related issues* is positive and significant at a level of 10 percent, providing limited empirical support for Hypothesis 1. More specifically, for one unit increase in the number of serious developer-related issues, the odds of adopting bottom-up governance innovations would increase by 50 percent. The coefficient for the *Number of property management-related issues* is not statistically different from 0, suggesting that the adoption of bottom-up governance is a response to external issues, not internal issues. As mentioned in section 3, when external grievances and conflicts with developers are a great concern, HOAs tend to adopt a bottom-up structure to mobilize residents and thus obtain more legitimacy and bargaining power. In contrast, when dealing with issues related to property management companies, dialogue and collaboration offer a more appropriate approach, one which requires relatively less direct involvement from general residents.

The coefficient for *low SES* is positive and significant, providing empirical evidence for Hypothesis 2. More specifically, the odds of low-SES neighbourhoods using a bottom-up approach is six times higher than that of high-SES neighbourhoods. As discussed earlier, residents with high SES usually can solve neighbourhood issues through their private access to local officials. With good access to the polity, the attractiveness of a bottom-up approach is significantly diminished. On the other hand, as suggested by social movement theorists, with no access to the polity, residents in low-SES neighbourhoods tend to use mass mobilization as a way to catch attention and 'force their opponents to deal with them outside the established arenas' (McAdam, 1983: 735). This explains why low-SES neighbourhoods welcome a bottom-up approach more than high-SES neighbourhoods. In addition, residents with high SES face a high opportunity cost for participation and therefore make it harder to establish a bottom-up governance structure.

A leader's values and attitudes clearly have a significant impact on the adoption of bottom-up governance. The coefficient for *Leader's attitudes towards participation* is positive and significant at 5 percent level. This suggests that HOAs whose directors believe strongly in the active role of general homeowners are more likely to establish bottom-up governance, and therefore offers empirical support for Hypothesis 3. To be more precise, in a neighbourhood whose leaders value the participation of general homeowners more than that of professional elites, the odds of embracing a bottom-up approach are five times higher than a neighbourhood without such leaders. This confirms the importance of the role of leadership as suggested by social movement theorists.

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The results also suggests that when its leaders are more actively engaged in extra-organizational professional activities, a neighbourhood is more likely to adopt bottom-up governance. As discussed in section 3, external professional communication and engagement is an effective approach to overcoming infrastructural deficit because it creates an environment that facilitates innovative ideas and supports innovative activities. The implication of this finding is that we may encourage the adoption of organizational innovations such as bottom-up governance (if these innovations are desirable, for example, they can promote civic awareness and engagement as Wang and Cooper [2007, 2008] suggested) through fostering the exchange of ideas between HOA leaders and other stakeholders.

As for control variables, our analyses suggest that the tendency for adopting bottom-up structures in HOA governance does not depend on neighbourhood size and age. The only control variable that demonstrates a significant impact is tower-building neighbourhoods. This finding suggests that the bottom-up structures are less attractive in tower-building neighbourhoods, because it is relatively easier to encourage and ensure participation in these communities, compared to sprawling neighbourhoods with dozens of multi-story buildings. The odds of adopting bottom-up structures in the former neighbourhoods are only about 22 percent as high as the latter.

DISCUSSION

Government regulations for HOAs specify two HOA governance bodies: general membership and the HOA Committee. Because of a high quorum requirement and typical problems with collective action, general membership meetings are held very infrequently. As a result, the HOA Committee, though designed to be an executive body, often acts as the decision-making unit without general members' input and support. To improve their governance capacity, many HOAs have taken innovative approaches to adopting bottom-up governance structures, most notably captain systems and formal representative assemblies.

Our survey shows that half of the surveyed HOAs in Beijing have adopted some form of bottom-up governance structure. We asked what factors lead to innovation, and found limited evidence that bottom-up governance is more likely to be adopted when a neighbourhood needs grassroots participation to deal with external powerful actors, in particular developer-related issues. When the neighbourhood has little access to the polity (for example, through residents with influential political or economic connections), we found strong evidence that HOAs are more likely to adopt bottom-up governance as a means of overcoming their powerlessness through mobilizing grassroots participation. We also found strong evidence that HOA leaders' values, attitudes and activities have a significant impact on the adoption of bottom-up governance. HOA leaders who strongly believe in resident participation, and those who actively engage in extra-organizational professional

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activities (as a remedy to infrastructure deficit), are more likely to adopt bottom-up governance. These empirical findings echo the propositions that stem from social movement theorists' discussion of how social movement organizations strategically make organizational choices to advance their interests.

HOAs have been widely applauded as a springboard for future civic engagement with the boarder societal sphere in China (Chen et al., 2004; Qin, 2007; Wei & Tang, 2007; Xia, 2003). For example, Chen et al. (2004) proposed that Chinese HOAs are 'truly meaningful nongovernmental organizations at the community level,' with the dynamism and potential to achieve democratic governance. Similarly, after a case study of an HOA Committee's operations, Xia (2003) claimed that HOAs are the first sign of civil society in China and will play a pioneering role in promoting local democracy. In our view, the democratic impact of HOAs may vary greatly. Considering Rosenblum's (1998) congruence thesis that argues that democratic outcomes should primarily come from associations that internally practice the democratic principles of participation and representation, our findings suggest that the neighbourhoods most likely to serve as 'schools of democracy' are those that are composed of low-status urban residents or that have intensified external conflicts. Our findings also confirm the significant role of leadership in organizational innovation (Aragón-Correa, García-Morales, & Cordón-Pozo, 2007; Damanpour & Schneider, 2009; Plowman et al., 2007; Rich, 1980a). Therefore, one effective approach to encouraging bottom-up innovation would be to offer more opportunities for HOA leaders to exchange ideas and learn democratic governance skills.

Still, it is an open question whether the HOAs that adopted bottom-up governance will maintain the democratic operation in the future. The view, which stems from Weber (Weber, Gerth, & Turner, 1946) and Michels (1949), is that the transformation of social movement organization tends to lose its collectivist-democratic ideals and move towards goal transformation, organizational maintenance, and oligarchization (Zald & Ash, 1966). In our observation of Chinese HOAs, this view might be too pessimistic. Chinese HOAs that adopted bottom-up governance are more likely to endure as participatory-democratic organizations because of their restrictions on size and strict reliance on internal financing (Rothschild-Whitt, 1979). Of course, it is an empirical matter whether the adoption of bottom-up governance, now as an adaptive strategy, will be truly institutionalized in the future. It would be fruitful to follow the development of these HOAs to document their evolutionary process and the driving forces behind this process. One important element is to look at their leaders' connection with existing political infrastructure. As Walder (2011) argued, the relationship of the new corporate elite resulting from China's managerial revolution has material implications for China's future of corporate economy. Similarly, given the prominent role of leadership in HOAs' strategic choice, the connection between HOA leaders and existing political and social infrastructure is critical for understanding Chinese HOAs' future societal role and impact. Studying the driving forces and impacts of Chinese

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HOAs' future evolvement may significantly enrich the literature as existing research on social movements primarily focuses on the transformation and impact of social movement organizations in a democratic context, leaving the authoritarian context relatively unexplored.

CONCLUSION

In the last decade, one of the most significant changes to neighbourhood governance in urban China is the development of homeowner associations that have come with the commercialization of housing. This study documents this important development with a focus on homeowner associations' internal governance. More specifically, we discuss why some Chinese homeowner associations have developed bottom-up governance structures with a participatory-democratic orientation while others have not. Drawing upon social movement theory, we develop a structural framework in which homeowner associations' choice of internal governance structures can be comparatively analysed and thus offer a more systematic analysis than previous case studies.

Chinese homeowner associations attract much attention from both academia and policy makers because they are expected to play a more significant role not only in neighbourhood governance but also in a broader social sphere. It is of interest and importance to explore whether Chinese homeowner associations can effectively solve various neighbourhood issues including conflicts between homeowners and developers or property management companies. It is also important to investigate whether Chinese homeowner associations can play the role of 'school of democracy' and have a spillover impact on the development of citizen participation and grassroots democracy in urban China. We will attempt to answer these questions in future research.

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