Determinants of the Effectiveness of Chinese Homeowner Associations in Solving Neighborhood Issues

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Determinants of the Effectiveness of Chinese Homeowner Associations in Solving Neighborhood Issues

Feng Wang¹

Abstract
Chinese homeowner associations (HOAs) are citizen-initiated, self-governing neighborhood organizations that emerged very recently in urban China. HOAs take various legal, political, and social actions to deal with neighborhood issues. However, there are large discrepancies in the effectiveness of these actions. Using data collected from in-depth interviews with leaders of 91 registered HOAs in Beijing, this study investigates the contextual and organizational factors that explain this heterogeneity of outcome. The results show that the factors affecting HOAs’ ability to solve the two most prominent types of neighborhood issue—issues involving developers, and issues involving property management companies—are quite different. Issues involving property management companies are more effectively solved by mobilizing organization resources and encouraging resident participation. Solving developer-related issues, however, requires broader legal and political support.

Keywords
urban neighborhood, homeowner associations, resource, leadership priority, effectiveness, China

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Introduction

A major feature of China’s urban transformation in the last decade has been the emergence of a large number of newly built residential neighborhoods and the growth of a brand-new neighborhood organization: the homeowner association (F. Wang, Yin, and Zhou 2012). In the past, Chinese governments and state-owned enterprises, through various work units (danwei), took charge of housing investment, construction, management, and maintenance in urban residential neighborhoods, neighborhoods that have now become “old residential neighborhoods” (jiu juzhu xiaoqu). After 1994, real-estate developers began building houses and apartments to sell on the free market (Y. Wang and Murie 1999). This trend was greatly strengthened after the 1998 urban housing reform, which encouraged private homeownership (Li and Yi 2007). The neighborhoods that emerged from commercial real-estate development (“new neighborhoods”) have grown very quickly and already outnumber old neighborhoods. In most cities, new neighborhoods now account for two thirds of residential neighborhoods (Guo and Pan 2008). For example, of Beijing’s 6,000 neighborhoods, nearly 4,000 are new neighborhoods (Qin 2007).

Standing in sharp contrast to the rapid growth of private homeownership is the laggard development of a system to protect private property rights. The principle that “citizens’ lawful private property is inviolable” was not recognized until the Fourth Amendment to the Chinese Constitution in 2004, and this principle was not materialized in law until 2007, when the Property Rights Law of the P.R. China was enacted. The rapid growth of private homeownership, in the absence of a system that recognized and protected private property rights, produced much unrest in new neighborhoods, which are normally gated. More often than not, developers and property management companies deal with neighborhood issues in ways that conflict with the interests of the homeowners. For example, developers have sold neighborhood parking lots to outsiders, depriving neighborhood residents of parking spaces. Property management companies have also used common areas for commercial activities. Moreover, homeowners have found that their political rights (Li and Wang 2006) and self-governing rights (X. Chen 2007) are usually constrained in ways that impair their property rights, too.

In the absence of a statutory system for protecting private interests, many Chinese homeowner associations (HOAs) have adopted a grassroots approach. They actively mobilize residents to solve neighborhood problems, for example by circulating petitions and organizing demonstrations, by supporting members to run for local offices, and by suing developers and local governments with some degree of success (Cai 2007). Because of their grassroots characteristics, Chinese HOAs have been regarded by some as true
nongovernmental organizations at the neighborhood level, that are dynamic enough to achieve local democracy (Y. Chen 2007; Davis 2006; Wei and Tang 2007).

However, despite the fact that Chinese HOAs seem to promise a new approach to promoting urban community governance and civic democracy, the development of Chinese HOAs remains rather uneven. Although all HOAs operate in similar legal and institutional environments, some of them have acted to deal with neighborhood problems while many others have not. For example, it has been reported that no more than 10% of Shanghai HOAs are functioning and active (Feng 2008). Moreover, even active HOAs vary in effectiveness at resolving neighborhood problems. Some have addressed problems successfully, but others have shown little effectiveness, even when they have taken many actions. To understand the reasons behind these discrepancies, this article seeks to identify the determinants of Chinese HOAs’ effectiveness in solving various kinds of neighborhood issues. Previous studies of this topic (Meng 2005; Shi and Cai 2006; Wu 2010; Zhang 2005) have often focused on active HOAs, conducting case studies in a “story” form. Although they provide a wealth of descriptive detail, these studies do not provide a structural framework for comparative analysis of HOAs as organizations. Based on theories of neighborhood effect, resource dependence, resource-based and leadership, and drawing on a systematic survey effort, this article attempts to identify the specific factors that improve HOAs’ governance capacity and, more particularly, their ability to resolve neighborhood problems.

The article proceeds as follows. Section 2 describes the development of Chinese HOAs, the institutional background of private property rights protection, and the main neighborhood problems that the HOAs face. Section 3 develops a theoretical framework for analyzing the factors that influence the problem-solving effectiveness of HOAs and proposes a series of research hypotheses. Section 4 describes the research methodology. Section 5 presents the empirical findings. Section 6 concludes the article with a discussion of its major findings and their implications.

**Development of Chinese HOAs: Institutional Context and Challenges**

*The Emergence of HOAs in Urban China*

The Chinese HOA is an organization created by homeowners to protect their legitimate rights and interests within one realty management area. It is a citizen-initiated, voluntary and self-governing neighborhood organization that is
independent from governmental agencies. It is this autonomy that differentiates it from other types of neighborhood organization in urban China.

Chinese HOAs emerged after the mid-1990s as a result of housing commercialization in urban centers. To manage the new neighborhoods, the Chinese government borrowed from the property management experience in Hong Kong and promoted a professional property management model, asking developers to choose preliminary property management companies to manage the neighborhoods (Blandy and Wang 2013; Li, McKinnell, and Walker 2000). In the late 1990s, in an attempt to reestablish institutional control over these new neighborhoods, the government allowed the establishment of Neighborhood Management Committees (NMCs)—the precursors to HOAs—which worked together with property management companies to govern neighborhood affairs (Tomba 2005). However, homeowners typically had little voice in NMCs because the committees comprised representatives with many conflicting interests, including homeowners, tenants, developers, the resident committees, and, in some cases, the property management companies. Most NMCs were initiated and controlled by developers. In response to widespread complaints that developers and property management companies were infringing on homeowners’ rights, in 2003 the State Council promulgated the “The Regulations on Real Property Management.” This regulation allows homeowners to organize formal associations that choose property management companies themselves, and that enact and modify Homeowners’ Covenants and HOA Rules and Procedures. HOAs are composed solely of homeowners, can be initiated by homeowners only, and have little relationship with government agencies.

The number of Chinese HOAs (or, pre-2003, NMCs) has grown rapidly since 1998. For example, Beijing had only 126 NMCs in 1999 (Tan 2000); as of 2006, however, about 511 of Beijing residential neighborhoods, or 18%, had registered (bei’an) HOAs (Ge 2007). Similarly, in Guangzhou, about 400 residential neighborhoods, or 13%, had formed HOAs by 2005 (Xu and Liu 2005). The rapid growth of HOAs is surprising because China is an authoritarian society that does not have institutional or cultural supports for grassroots organizations (Tomba 2005). In most cases, the establishment of an HOA is a response to severe infringement on residential common property rights or other related rights by a local government, a developer, or a property management company.

Institutional Contexts for Private Property Rights Protection in China

Unlike Western countries, where property rights are well established, in China the principle that “citizens’ lawful private property is inviolable” was not legally recognized until 2004, with the Fourth Amendment to the Chinese
Constitution (article 21). However, the amendment did not reduce infringement on homeowners’ common property by developers and management companies. In fact, such infringement continued to increase because there were no laws defining common property within gated residential neighborhoods.

China introduced the strata titles system of multiple property ownership in residential neighborhoods that is found in North America, New Zealand, Singapore, and Malaysia (Walters and Kent 2000). Under the strata titles system, a Chinese owner has the title to a particular unit and, tied to that unit, a fractional ownership of the common parts and facilities in common interest with other owners. Normally, few disputes arise regarding individual ownership of the unit itself. Most property rights problems are due instead to unclear delineations of common property within the residential neighborhoods. China’s legal system is modeled on the continental code system, in which the legislature and government are expected to establish laws and rules to provide clear guidance, unlike the common law system in which judicial decisions carry equal weight and fill in any gaps. Before the enactment of the Property Rights Law in 2007, there was no law or rule to define common property at all. Therefore, homeowners were not able to claim multiple-ownership of common assets when they had disputes with developers or with the property management companies that the developers had selected.

The Property Rights Law of 2007 was the first piece of legislation in China to cover an individual’s right to common property within a neighborhood. However, it did not immediately lessen infringement, and it did not clearly address disputes related to property rights (Y. Chen 2007). The law states that “residents have the right to collectively manage the common property they collectively own” (article 70), including internal roads, green spaces, and other public facilities and spaces used for property management and services within the boundary of the residential neighborhood (article 73). But the law avoids specifying ownership of some of the most sensitive common property, such as parking lots. Moreover, there are no legal rules to ensure the enforcement of rights in practice.

The lag in institutional development for protecting private and common property rights has had two important consequences. First, it continues to be the major source of rising conflict between homeowners on the one hand and developers and property management companies on the other. Second, it adds to the difficulties that HOAs face in addressing the various neighborhood issues.

**Types of Neighborhood Issue Faced by HOAs**

Resolving neighborhood problems is one of the principal functions of HOAs (Liebmann 2000; Nelson 2006). But different issues pose different
challenges to HOAs, and lead to different results (Logan and Rabrenovic 1990; Schwirian and Mesch 1993). Therefore, it is important to categorize the problems that HOAs face. Unfortunately, few studies on Chinese HOAs have done this systematically.

Our survey (see the section “Sample and Data Collection” for details) asked respondents to rate the degree to which 20 different problems (Table 1) have affected their neighborhood in the past two years, using a scale of “a serious problem,” “a problem but not serious,” and “not a problem at all.” The 20 problems were selected based on the literature on residential associations, newspaper reports and interviews with key informants. They were arranged in four categories based on the stakeholders: government, a developer, a property management company, and homeowners. For problems that interviewees indicated were “serious” or “a problem but not serious,” the survey further asked whether their HOA had taken any action to address them. Table 2 summarizes the interviewees’ responses.

As shown in Table 2, almost all the urban neighborhoods in China face multiple, serious problems. The homeowners’ internal disputes are a serious challenge to most neighborhoods, yet few HOAs take action to address them. Public service and land development issues are not perceived as serious compared with others. The two types of issues that Chinese HOAs generally perceive as serious and take action to address involve developers and property management companies. Based on this observation, this article focuses on developer- and management company–related issues.1

Theoretical Framework and Hypotheses

What factors determine the effectiveness of Chinese HOAs in solving conflicts with developers and property management companies? Two bodies of literature provide theoretical guidance in answering this question: the literature on neighborhood effect that emphasizes neighborhood attributes and organizational theories that focus on resource availability and leadership. Integrating these theories provides a framework for the present analysis.

Contextual Factors

A large body of literature (Austin 1991; Sampson, Morenoff, and Gannon-Rowley 2002) has examined the neighborhood effect on organizational action and outcomes, for example, capability of intervening in zoning decisions (Hutcheson and Prather 1988). In this article, the attributes considered are neighborhood socioeconomic status (SES) and age.
### Table 1. Neighborhood Problems Facing Chinese HOAs.

<table>
<thead>
<tr>
<th>Issue types</th>
<th>Nature of the issue</th>
<th>Specific issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government-related</td>
<td>Public service delivery</td>
<td>1. Inconvenience to schools and hospitals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Inconvenience to public transportation</td>
</tr>
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<td></td>
<td></td>
<td>3. Lack of local police (e.g., public safety problems near the neighborhood)</td>
</tr>
<tr>
<td></td>
<td>Land development</td>
<td>4. Neighborhood environment adversely affected by the new land development</td>
</tr>
<tr>
<td>Developer-related</td>
<td>Common property delineation</td>
<td>5. Breaching agreement (e.g., decrease in green space)</td>
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<tr>
<td></td>
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<td>6. Changing approved development plan (e.g., the planned kindergarten replaced by a shopping centre)</td>
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<tr>
<td></td>
<td></td>
<td>7. Lack of common facilities (e.g., no heating facilities, etc.)</td>
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<tr>
<td></td>
<td></td>
<td>8. Infringement on common property rights (e.g., the parking lots sold to outsiders)</td>
</tr>
<tr>
<td></td>
<td>Construction quality and deeds</td>
<td>9. Construction defects (e.g., leaking roof)</td>
</tr>
<tr>
<td></td>
<td>Property management services</td>
<td>10. Deed problems (e.g., the area in the deed is smaller than that the owner actually paid for)</td>
</tr>
<tr>
<td>Property management company–related</td>
<td></td>
<td>11. Problems with the provision of water, heating and electricity services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12. Problems with neighborhood environmental improvement (e.g., cleanup and beautification)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13. Problems with neighborhood security service</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14. Problems with neighborhood transportation and parking management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15. Problems with other services (e.g., road maintenance)</td>
</tr>
<tr>
<td></td>
<td>Fees and common income</td>
<td>16. Property management fee (e.g., the lack of transparency regarding how fees were set)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17. Common income problems (e.g., management company retains income by renting out neighborhood common areas)</td>
</tr>
<tr>
<td>Homeowner-related</td>
<td>Disputes between homeowners</td>
<td>18. Use of common parts by unit owners (e.g., erecting illegal structures in common areas, such as stairways)</td>
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<tr>
<td></td>
<td></td>
<td>19. Neighbors’ conflicts (e.g., noise, relationship)</td>
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<tr>
<td></td>
<td></td>
<td>20. Use of residential apartment units for small businesses</td>
</tr>
</tbody>
</table>

Neighborhood socioeconomic status. Neighborhood SES has been shown to be a strong determinant of individual participation in neighborhood associations (Verba, Schlozman, and Brady 1995). This finding also holds at the aggregate level (Mesch 1996). Neighborhoods with higher median-household income levels are more likely to organize to solve common problems than are neighborhoods with lower incomes (Oropesa 1989; Sampson, Morenoff, and Gannon-Rowley 2002). Furthermore, residents in higher SES neighborhoods are more likely to have higher levels of social skills, education, political efficacy and access to information, and therefore are more likely to be able to solve neighborhood issues. Therefore,

Hypothesis 1: HOAs in neighborhoods with a higher socio-economic status are more effective in solving neighborhood problems.

Neighborhood age. It has been argued that neighborhood age also influences resident behavior (E. J. Oliver 2001; Williamson 2002). In his empirical study, Williamson (2002) finds that residents of older neighborhoods are more likely to participate in neighborhood activities than are those in younger neighborhoods. The reason is that residents of older neighborhoods have a stronger sense of community. Moreover, older neighborhoods usually have a longer history of activism and more problem-solving experience than do younger neighborhoods. Therefore,

<table>
<thead>
<tr>
<th>Issue Types</th>
<th>Nature of the Issue</th>
<th>A problem</th>
<th>Not a Problem (%)</th>
<th>Not Serious (%)</th>
<th>Serious (%)</th>
<th>Take Action (%)</th>
<th>No Action (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government-related</td>
<td>Public service delivery</td>
<td></td>
<td>47</td>
<td>23</td>
<td>30</td>
<td>27</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td>Land development</td>
<td></td>
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<tr>
<td></td>
<td>Common property delineation</td>
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<tr>
<td></td>
<td>Construction quality/deeds</td>
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<tr>
<td>Developer-related</td>
<td>Property management services</td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td>Fees and common income</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Management company-related</td>
<td>Disputes between homeowners</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Hypothesis 2: HOAs in older neighborhoods are more effective in solving neighborhood problems.

Organizational Factors

This article focuses on two organizational characteristics that influence HOAs’ problem-solving effectiveness: organizational resources and leadership priorities.

Resources. Resource availability is critical to the success of organizations, especially voluntary neighborhood associations. Social movement theorists (Cress and Snow 1996; Zald 1992) have highlighted the need to specify clearly the resource types when studying the impact of resources on the success of neighborhood collective action. Following the example of earlier works (such as Edwards and McCarthy 2004; Lin 2001), this study develops a four-part typology of material, human, social, and political resources, and examines which types of resource are most important for Chinese HOAs’ problem-solving effectiveness.

Material resources. To address neighborhood problems, HOAs need to maintain their daily operations and sometimes take legal or political action, all of which requires significant material resources. Money is a very important material resource. In most places, such as the United States, England, and Singapore, HOAs can levy fees and dues from members (Glasze, Webster, and Frantz 2006; McKenzie 1994). They have fixed funds from the dues for organizations’ daily operation. Chinese HOAs, however, have no authority to collect fees. Without clear ownership of common property, many Chinese HOAs cannot share profits generated from common property, which is usually controlled by developers or management companies. For some HOAs, they can receive a portion of common profits from their management companies after negotiations. In addition, some HOAs receive operational funds from individual homeowner donations.

The amount of money that HOAs have is important, but so too is the extent to which they can freely spend that money. Resource dependency theory argues that when organizations rely on outside parties for resources, they become less able to resist the pressures that come with these resources, thus losing their autonomy (C. Oliver 1991). Therefore, reducing dependence on external resources is critical for achieving self-set goals. In most Chinese HOAs, funds are managed by the property management companies. Under current regulations, Chinese HOAs are neither social nor business organizations. Without a legal identity, an HOA cannot open a bank account under the name of its governing committee. Some HOA committees entrust one of their
members with opening a personal bank account for HOA funds to keep full control over their money. Yet many HOAs have to keep their funds in their property management companies’ accounts. When they need money, HOAs must obtain approval from their management companies, which limits their ability to resolve neighborhood problems. Therefore, it was hypothesized that:

**Hypothesis 3a:** HOAs with autonomy to control their funds are more effective in solving neighborhood problems.

**Human resources.** Resource-based theory (Bryson, Ackerman, and Eden 2007; Peteraf 1993) emphasizes the creation and mobilization of internal resources to maximize organizational autonomy and overall effectiveness. The personal commitment of HOA leaders and members is important to their organizations’ problem-solving effectiveness (Knoke and Wood 1981). In voluntary organizations, active members who help carry out organizational tasks (such as attending meetings, signing petition letters, sending out materials and collecting votes), are considered more committed than inactive ones. The active members are a key human resource. Therefore,

**Hypothesis 3b:** HOAs with more committed members are more effective in solving neighborhood problems.

**Social resources.** Social resources refer to the frequency that the HOA interacts with other organizations, exchanging information, experiences and resources, and rendering assistance. Unlike developers and property management companies, HOAs lack specific knowledge about contracts and the management of common property. As a result, HOAs have difficulty monitoring the quality of construction and services and keeping track of profits from commercialized common property. Moreover, HOAs normally have limited experience in self-governance and conflict resolution with outside parties (Alexander 1989; Foldvary 1994), and limited understanding of housing policies and the decision processes behind those policies (Li and Wang 2006). All these limitations hurt Chinese HOAs’ ability to effectively target and resolve neighborhood problems. Connections with research institutions, business companies and other neighborhood institutions could help HOAs overcome those difficulties. In China, some research (e.g., Haidian Governance & Community Institute) and business institutions (e.g., Sohu housing focus website) hold workshops, seminars and forums for HOA leadership training, the exchange of problem-solving experiences, and face-to-face communication with government officials, developers, and property
Managers. By utilizing these social supports, HOAs might increase their ability to solve neighborhood problems. Therefore,

**Hypothesis 3c:** HOAs whose leaders attend more workshops and forums are more likely to have a higher effectiveness in solving neighborhood problems.

**Political resources.** A supportive attitude from the government is another important resource. Political support helps organizations obtain legitimacy, authority, and resources (Gui 2001; Mahon and Cinneide 2009). According to institutional theorists (Meyer and Rowan 1977), external institutions can confer legitimacy on organizations, which in turn will have an impact on organization outcomes. In China, a supportive attitude from government toward nongovernmental organizations is a vital resource. With government support, HOAs have more leverage/power to negotiate with developers and property management companies. Therefore,

**Hypothesis 3d:** Local governments’ supportive attitude is positively related to HOA effectiveness in solving neighborhood problems.

**Leadership priorities.** It is widely held that leadership largely determines the effectiveness of neighborhood organizations (Rich 1980; Schwirian and Mesch 1993). Leadership matters not only because of leaders’ organizing skills but also because of the ideological component that they bring to organizations. Ideologies present “ways of looking at life, modes of orienting toward the environment, appropriate styles of working together, and types of approaches for confronting external action systems” (Schwirian and Mesch 1993, p. 97). Ideologies of leadership affect the strategies, processes and outcomes of neighborhood collective action. For example, in his study of how different groups in a neighborhood responded to a highway development project, Heskin (1991) found that the leaders’ ideologies changed the processes of collective action and thus the result.

A study by Douglas Yates (1973) provides a good framework for studying neighborhood leadership. The framework is based on two dimensions: (1) sense of strategic purpose (that is, leaders may take either improving neighborhood services or gaining resident self-governing power as their strategic priority), and (2) action priority (that is, when addressing neighborhood problems, leaders may take either transforming government practices or improving neighborhood capacity as their action priority). Yates (1973, pp. 89-99) classified four types of neighborhood leadership priority based on these two dimensions (see Figure 1): (1) community builder, whose strategic
priority is to gain self-governing power for residents and action priority is to improve neighborhood capacity; (2) entrepreneur, whose strategic priority is to improve neighborhood services and action priority is to improve neighborhood capacity; (3) ombudsman, whose strategic priority is to improve neighborhood services and action priority is to change government practices; and (4) protestors, whose strategic priority is to gain self-governing power for residents and action priority is to change government practices. His study demonstrates that “entrepreneur” and “ombudsman” are the most common and effective types of leader in neighborhood organizations in the United States.

In China, however, local governments have limited power to set rules. They are more concerned with enforcing regulations. In addition, because government performance is not evaluated by the public, HOAs have little leverage to change local governments’ practices. Therefore, if organization leaders direct their energies to reforming local government, problems might not be solved at all, at least not in the short run. In contrast, if they work at the neighborhood level to develop neighborhood capacities and resources, organization leaders might be able to mobilize neighborhood collective action and internal resources to solve some issues. Therefore,

**Hypothesis 4:** HOAs with “entrepreneurs” and “community builders” as leaders are more effective in solving neighborhood problems than those with “ombudsmen” and “protestors” as leaders.
Method

Sample and Data Collection

The sample comprises 91 HOAs registered in Beijing. The city of Beijing was chosen as the study site mainly because it was the place where our professional and academic contacts enabled us to implement the research design. The second reason was that Beijing is the political and cultural center of China. It is also one of the first cities that promote housing reform. The development of HOAs in Beijing, on the aspects of internal governance and social functions, is likely to set a precedent of how HOAs would operate in other Chinese cities. Therefore, the study of HOAs in Beijing is useful for understanding or even influencing the future of HOAs in China. In the meanwhile, caution should be taken when generalizing the results because the political culture and the emphasis on social stability in Beijing may be different from other Chinese cities. It is helpful to replicate this study in other cities to see whether similar findings would result.

The sample was selected with a snowball sampling method (Patton 2002), for “the difficulty of obtaining access to neighborhood leaders in China without a personal connection made a random sampling strategy impractical” (Read 2008, p. 1244). Data were collected during 2006-2007 from face-to-face interviews with 125 leaders of 91 registered HOAs. In this study, organizational leaders were defined as director, vice director or core members of HOA committees who had played crucial roles in the HOA’s development. Surveying organizational leaders could provide a generalized dataset on the characteristics and practices of HOAs. Previous work on neighborhood organizations (such as Knoke 1988; Rabrenovic 1996) supports this method of interviewing high-ranking organizational officers to gain information.

In the interviews, a structured questionnaire comprising 119 open-ended and forced-choice questions was used. Data were collected through face-to-face interviews for the following reasons. First, the instrument is lengthy. Face-to-face interviews perform better under this situation (Patton 2002). Second, face-to-face interview allows more complex questions to be asked, and enables researchers to observe, listen, and solicit information that respondents would not provide otherwise (Seidman 1991). Third and most importantly, in the pilot test, the researcher found that most HOA directors preferred face-to-face interviews because they considered the conversation a chance to communicate with researchers.
Variables and Measures

Dependent variables. The problem-solving effectiveness is measured by the extent to which HOAs took action to address problems and their degree of success in solving the problems. For each of the listed problems, the survey asks three consecutive questions, based on the answers to which a problem-score, action-score and outcome-score were constructed (Table 3). For a listed problem \( j \), a score for an HOA \( i \)'s effectiveness in solving this particular problem was constructed as shown below (when a factor was indicated as not applicable [n.a. in Table 3], this factor was omitted from the formula):

\[
\text{Effectiveness}_{ij} = \text{Problem-score}_{ij} \times \text{Action-score}_{ij} \times \text{Outcome-score}_{ij}.
\]

Then, an HOA-specific effectiveness index for solving each type of neighborhood issue was constructed. For example, the effectiveness index for solving developer-related issues was calculated by taking the average of the effectiveness scores of all the neighborhood problems that were identified as developer-related. Two effectiveness indexes for each HOA were constructed. One was for the effectiveness of solving developer-related issues, which ranged from the −2 to 3.33 with an average of −0.31. The other index was for the effectiveness of solving management company–related issues. The index ranged from −2 to 4.8 with an average of 0.65 (see Table 4). An immediately clear result is that HOAs were more successful in solving neighborhood problems involving property management companies than they were when problems involved developers.

Independent variables. Neighborhood attributes include neighborhood SES and age. The indicator for neighborhood SES is the average house price per square meter. In Beijing, house prices increased rapidly after 1999. The average price for commercial house was 5,647 RMB (US$1 = 7.6 RMB in 2007) per square meter in 1999 (China Economic Information Network 2000). Therefore, for neighborhoods developed after 1999, this study classifies the neighborhood into low if the average house price per \( m^2 \) was less than or equal to 6,000 RMB/\( m^2 \) and high otherwise. For neighborhoods that were formed before 1999, the cutoff price was set at 4,000 RMB/\( m^2 \). In addition, neighborhood age was measured by counting the number of months between the neighborhood’s first establishment and the time when the interview was conducted, because most HOAs emerged in new neighborhoods.

Organizational factors included four types of resource (i.e., material, human, social, and political resources) and leadership priority. Material resources were measured by the amount of HOA funds and by whether the
Table 3. Coding Scheme for Problem-Solving Effectiveness Score.

<table>
<thead>
<tr>
<th>Problem (“For each of the following 20 problems, please indicate the extent to which it has affected your neighborhood in the past two years? Would you say it is serious, not serious or not a problem at all?”)</th>
<th>Problem-score</th>
<th>Action (“In the past two years, what problems have you tried to deal with on behalf of HOA members?”)</th>
<th>Action-score</th>
<th>Outcome “How would you rate the degree of success to which the problem is resolved as the result of your action? Would you say it is: (1) not resolved at all; (2) partially resolved; (3) almost resolved; (4) completely resolved?”</th>
<th>Outcome-score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing and serious</td>
<td>2</td>
<td>Take action</td>
<td>1</td>
<td>Completely resolved</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Almost resolved</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Partially resolved</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not resolved at all</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No action</td>
<td>-1</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Existing but not serious</td>
<td>1</td>
<td>Take action</td>
<td>1</td>
<td>Completely resolved</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Almost resolved</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Partially resolved</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not resolved at all</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No action</td>
<td>-1</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Not a problem</td>
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<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
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</tbody>
</table>

Source. Constructed by the author.
HOA had full control over the funds. *Human resources* were captured by the number of active homeowners “who have attended HOA committee meetings, and contributed time, money, advice and energy to their organizational activities in the past year.” *Social resources* were evaluated by the number of workshops, seminars, or forums regarding neighborhood governance or property management that HOA leaders had attended. *Political resources* refer to local governments’ attitude toward the HOAs. This variable was assessed by the question: “How would you describe the local government’s attitude toward your committee when you turn to them to solve neighborhood issues? A supportive; B delaying; C quibbling; or D others (specify).” Based on the response, a dummy variable was constructed which was equal to 1 if the respondent chose A, and 0 if the respondent chose B or C or D (all the 11 D answers were coded as 0 because the answers were opposite, arbitrarily intervening, indifferent, or similar words).

To examine the impact of leadership, following Yates’s (1973) framework, the respondents were asked to answer two single-choice questions: (1) “Would you say that you are primarily concerned with service problems—getting better

<table>
<thead>
<tr>
<th>Variable Name</th>
<th>M</th>
<th>SD</th>
<th>Minimum</th>
<th>Median</th>
<th>Maximum</th>
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<tr>
<td><strong>Dependent variable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effectiveness in solving developer-related issues</td>
<td>−0.31</td>
<td>1.11</td>
<td>−2</td>
<td>−0.45</td>
<td>3.33</td>
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<tr>
<td>Effectiveness in solving management company–related issues</td>
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<td>1.58</td>
<td>−2</td>
<td>0.5</td>
<td>4.8</td>
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<td><strong>Independent variables</strong></td>
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<tr>
<td>Neighborhood attributes</td>
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<tr>
<td>Neighborhood SES (dummy, 1 = high)</td>
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<td>0.50</td>
<td>0</td>
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<td>1</td>
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<tr>
<td>Neighborhood age (unit: month)</td>
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<td>36.89</td>
<td>20</td>
<td>62.5</td>
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<td>Organizational characteristics</td>
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<td>Material resources</td>
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</tr>
<tr>
<td>HOA funds (unit: 10,000 RMB)</td>
<td>5.63</td>
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<td>0.75</td>
<td>100</td>
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<td>Government attitude (dummy, 1 = supportive)</td>
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<td>Social resources</td>
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<td></td>
<td></td>
</tr>
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<td>Number of seminar attendance</td>
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<td>Community builder (dummy, 1 = yes)</td>
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<td>0</td>
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<tr>
<td>Entrepreneur (dummy, 1 = yes)</td>
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<td>.48</td>
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<td>0</td>
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<td>Protestor (dummy, 1 = yes)</td>
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<td>.39</td>
<td>0</td>
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</table>

Table 4. Descriptive Statistics for Variables in the Regression Models.
service delivery—or are you primarily concerned with gaining self-governing power—getting more control over neighborhood issues?” and (2) “As a matter of strategy and priorities, do you feel it is more important to direct your energies to reforming/changing governmental practices or do you feel it is more important to work at the neighborhood level to develop local capacities and resources?” Based on the response, the leadership priority is classified into four types: ombudsman, protestor, entrepreneur, and community builder.

The descriptive statistics for those variables are reported in Table 4.

Findings and Discussion

Two regression analyses were performed to examine the factors that affect HOA effectiveness in solving two types of neighborhood issues: developer-, and management company–related issues. Table 5 reports the results.

Contextual Factors

First, the regressions show that HOAs in older neighborhoods were more effective in solving developer-related issues than those in younger neighborhoods. In contrast, effectiveness in solving management company–related issues did not vary significantly with neighborhood age. This result may be
because these two types of issues involve two very different outside forces—developers and property management firms—and have different natures. Solving developer handed-down issues, such as those involving property rights and housing values, is more time consuming and complex than management firm–related issues, such as poor neighborhood beautification and high management fees. Therefore, time itself and the experience that older neighborhoods have accumulated over time matters a lot in solving developer-related issues. When it comes to property management firm–related issues that are less complex and interest intensive, young neighborhoods perform as well as older ones.

Second, although consistent with the research hypothesis in sign, the variable of neighborhood SES does not demonstrate a statistically significant impact on HOAs’ effectiveness in solving both types of neighborhood issues. This might be because most of the HOAs were established in new neighborhoods and homeowners who can afford to buy commercial houses in these neighborhoods should in general have a higher SES than the social average. As a result, the real difference between low and high SES that results from the coding choice may not be significant enough to make an observable difference.

**Organizational Factors**

First, Table 5 shows that the amount of HOA funds significantly affected HOA’s effectiveness in solving management company–related issues regardless of whether the HOA committee or the management company controlled the money. Interestingly, the amount of money did not have a significant impact on the effectiveness in solving developer-related issues, but it did matter who controlled the money.

This finding reflects the fundamentally different natures of these two types of issue. Developer-related issues—such as construction defects, decreases of unit areas and occupation of common property—often involve huge economic interests and are zero-sum conflicts between developers and HOAs. If they have no control over their money, HOAs find it very hard to oppose developers because they must obtain the money from management companies, which normally have connections with developers. For example, in an interview, an HOA leader said that although her association has a large amount of funds, it could not use the money to take action against the developer. She said,

> Our funds come from 2% of the management fees, about 78,000RMB every year. But we cannot manage our own money. If we want to buy some office supplies, we
must submit an application to the manager of the property management company. After his approval, the management company’s staff will send the office supplies to us. You see, it is impossible to get money from the management company to hire lawyers to sue its parent company (the developer). It is just like “to negotiate with a tiger for its fur” (Yu Hu Mou Pi, asking somebody to act against his own interest).

In such cases, the dependence of HOAs on external parties impedes their ability to solve developer-related issues. However, management company–related issues are not always zero-sum conflicts between two parties. If HOA committees want to use their associations’ money to improve services, for example by upgrading monitoring equipment, in most cases the property companies willingly cooperate. Therefore, the amount of money is more important than who controls that money when it comes to solving property management issues.

Second, the regression analyses also showed that government attitude has a significant impact on solving both types of neighborhood issues. When governments are supportive, HOAs tend to be able to resolve neighborhood problems more effectively. When local government is supportive, HOAs can receive guidance when addressing neighborhood problems. For example, one HOA director expressed how his organization benefited from government support:

They have sympathy with what we faced . . . When we asked them what we could do (to deal with the developer), they provided us information, like what evidence we should collect, and which agency we should turn to. The information is very useful . . . and then we know what we should focus on.

Furthermore, China is a country that has a strong authoritarian culture and political system, in which governments have significant and direct impacts on social and economic activities. Therefore, if governments are supportive of HOAs’ action and pursuits, HOAs would be more effective in solving all types of problems no matter they involve developers or property management companies. On the contrary, if local governments’ attitudes are quibbling, indifferent, or opposite, HOAs which have little leverage to deal with other social forces would find it more difficult to resolve neighborhood problems. For example, one surveyed HOA was almost not functional at all. Its committee director said:

We serve the neighborhood voluntarily, but governments do not support our work at all . . . For example, we used express mail to submit a file to the District Neighborhood Office because we are afraid that they do not accept it if we submit
in person. But its official called us to take the file back. We declined since we think that they should keep it according to administrative due process. However, they mailed it back to the property management company in my neighborhood. The street office does not support us either. We (committee members) are too tired to continue the work.

Third, the number of active members significantly affected the effectiveness in solving property management company–related issues. This suggests that management company–related problems could be solved more effectively with strong, broad support from homeowners. Yet these factors did not have a direct impact on the effectiveness in solving developer-related issues. This finding reflects the different nature of the two types of neighborhood issues. Developer-related issues—such as construction defects, decreases of unit areas and occupation of common property—often involve huge economic interests and are zero-sum conflicts between developers and HOAs. Whereas management company–related issues are not always zero-sum conflicts between two parties. Therefore, developers have stronger interests and incentives to resist pressure from homeowners’ collective action. But more importantly, they have the ability to do so because they generally have strong political and economic power (Blandy, Dixon, and Dupuis 2006; Blandy and Wang 2013). In contrast, property management companies have less incentives and ability to win over homeowner’s collective pressure, particularly when they work in the same physical space with homeowners and have to personally face homeowners every day. In this situation, the number of homeowners who are actively involved in collective actions does matter a lot for solving property management issues.

Fourth, the coefficients of the amount of seminar attendance are not statistically different from 0 for both types of neighborhood issues and provide no support to research hypothesis 3c. This shows that connections with external social sources do not significantly help HOAs address issues that are largely internal to their neighborhood.

Last, HOA leadership priority did not have a direct impact on the effectiveness in solving developer-related issues, but they did have significant influence on the effectiveness in solving management company–related issues. This may have been because developer-related issues involve many social factors and are difficult to solve through the actions of neighborhood associations alone. In China, no grounded legal system exists to protect common property rights. Moreover, developers normally have strong economic power and political connections. Given all of these factors, HOA leadership may not lead to a significant difference in HOAs’ ability to solve developer-related issues.
However, interestingly, in this study leadership priority did have an impact on the effectiveness in solving management company–related issues. When solving those problems, HOAs with leaders who take changing local governments as their action priorities were not as successful as those whose leaders focused on developing neighborhood capacities and resources. In urban China, with limited resources and increasing responsibilities, local government officials are not prepared to address the issues raised by HOAs. If HOA leaders direct their energy to transforming government attitudes and behaviors, neighborhood problems would not be resolved in the short run. For example, an ombudsman type of leader reported:

I have written four long letters to the director of the Department of Construction and made many phone calls to those governmental officials, complaining about the lack of regulation of property management companies. I hope that they have more sympathy with us. But even if some of them orally agreed with what I said, I do not see that they helped us to solve the problems.

Another protestor type of leader talked a lot about China’s political system and reform in the interview. He considered HOA leaders as neighborhood activists. He said,

I think that every neighborhood problem we met is fundamentally due to inappropriate government practice. Sometimes, they intervene too much even if it is not their business... for example, the HOA committee was elected by homeowners and we (HOA committee) represent homeowners’ interest. I don’t understand why government asked us to receive approval from resident committee on neighborhood activities. I think that government should know that HOA is self-governing and we have rights to manage our own neighborhood. We need to make an effort to change the governments’ mindset. I attended many workshops and meetings, where I always present this viewpoint to the governmental officials.

In contrast, entrepreneurs and community builders take neighborhood capacity building and resource mobilization as their action priority. Entrepreneurs are concerned with specific services and pay more attention to monitoring service quality provided by management companies. They pay less attention to gaining self-governing power than do community builders and usually take a moderate approach when solving problems, such as when negotiating service contract renewal. As a result, management companies usually are willing to improve service quality in response to the HOA committees’ requests. An entrepreneur type of leader is a Local People’s Congress member and focuses on establishing a harmonious relationship with the management company. In the interview, she noted,
In my viewpoint, the main goal of HOA committees is to establish a stable and harmonious neighborhood, with the property management company as an integral part. The main function of the HOA committees is to be a bridge between homeowners and the property management company. For example, we found that the company did not provide good sanitation service in the past few weeks. We committee members immediately had a meeting with the property manager, asking him to improve the service.

Community builders, in contrast, pay more attention to gaining power, building neighborhood self-governing capacities, and increasing members’ participatory awareness. If organization leaders are concerned with the rights of homeowners to govern their own neighborhoods, they will provide channels for resident participation, and take actions to promote participation. As a result general members will be more easily motivated to participate in collective action to solve neighborhood problems. For example, an HOA leader of community builder type noted:

You cannot depend upon governments to help you solve your neighborhood problems. We found that the best way to solve the problems is to mobilize all the resources we have and build up our own capacities. Unity is strength. Once the property manager finds that most homeowners stand on our side, they have to sit down and negotiate with us; they have to accept our reasonable requests.

In sum, the organizations with “entrepreneur” and “community builder” types of leadership, which focus on taking neighborhood action, are more effective in solving management company–related problems.

**Conclusion**

This article finds that the neighborhood problems that Chinese HOAs perceive to be serious and take action to solve are those issues related to developers and property management companies. External (neighborhood) and internal (organizational) factors that could potentially affect HOA problem-solving effectiveness have been empirically investigated. The findings show that the factors appear to be different for these two types of issues.

For issues that involve property management companies, the factors that have significant impacts on HOAs’ problem-solving effectiveness are all organizational factors, including the amount of HOA funds, the number of active members, governmental attitude, and leadership. In contrast, factors that appear to have a significant impact on HOA’s effectiveness in solving developer-related issues include neighborhood age, the autonomy to control HOA funds, and government attitude.
This difference in determinants is due to the differences between problems that involve developers and those that involve property management companies. Developer-related issues, such as construction defects, decrease of unit areas, and occupation of common property, often involve huge economic interests and lead to zero-sum conflicts between developers and homeown-
ers. In HOA-developer relationships, HOAs are in a disadvantageous position because developers are often giant companies with significant economic power and political connections (F. Wang 2010). Given this disparity, a grassroots approach—for example, having leaders who prioritize promoting neighborhood actions, increasing the number of active members, and strengthening external connections—has barely any influence on HOAs’ effectiveness in solving developer-related problems. Factors that do appear to have a significant impact, such as governmental attitudes and the HOA’s autonomy to control its own funds, suggest the importance of legal and political supports in solving neighborhood issues. As discussed earlier, the difficulty in gaining control over HOA funds is due to the ambiguous legal status of HOAs. The significance of governmental attitudes highlights the importance of political support. Without grounded legal rules for solving private property rights issues, governmental attitudes toward conflicts are a decisive factor for the outcomes of HOA problem-solving efforts.

In contrast, management company–related issues involve many neighborhood service problems, such as poor beautification and noninstallation of security monitoring systems. Such problems are not necessarily zero-sum conflicts. They are less complex and involve smaller economic stakes. More importantly, because property management companies are sited in neighborhoods, homeowners and HOAs can exert a large influence over them. The findings suggest that HOAs’ strategic or behavioral choices in mobilizing grassroots participation—for example, having leaders that prioritize promoting neighborhood actions, or increasing the number of active members—do have a significant impact on HOAs’ effectiveness in solving such problems.

Chinese HOAs have been applauded as a community-based solution to many neighborhood issues. This study supports this conclusion, at least for issues related to property management companies. By mobilizing organization resources and resident participation, HOAs can effectively solve many property management problems. However, when it comes to solving developer-related issues, HOAs require broader legal and political support.

This study enriches the literature on urban neighborhood governance. The existing literature on urban neighborhood governance concerns mostly neighborhood organizations in Western countries that have strong tradition in self-governance. China is a totally different context. First, China is an authoritarian society that is more used to top down administration. Second, China has
almost eliminated private homeownership in urban areas since 1949. The newly developed residential neighborhoods have millions of problems that involve developers, which is different from Western neighborhood organizations whose primary concern is service provision. This study is an effort to forge a better understanding of the function and neighborhood impact of HOAs in China. Studies of this kind are important because the development of neighborhood associations depends crucially on contextual features of societies, particularly the political contexts (Fung 2003). This study would enrich the literature on urban neighborhood governance because of its attention to HOAs in a largely touched but arguably increasingly important institutional context.

This study also has practical significance. China is in a rapid process of urbanization. Together with this trend is the privatization of urban houses. The newly developed urban residential community and private homeownership represents a new social issue. The conflict between homeowners and developers has become an important source of social unrest. It is a challenging task to incorporate HOAs into the ongoing urban governance system, for which a very first step is to understand the social function and impact that HOAs in China currently play. This study not only provides new information on the development of HOAs in urban China but also contributes to a bigger practical cause of reforming urban community governance system in China.

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Notes

1. As a response to a referee’s comment, I also limited the analysis on the most serious developer-related issue and property company–related issue, namely, problems of common property delineation and property management services. The results are very similar to those reported in the article and available from the author on request.

2. In the beginning, 110 HOAs from a list of HOAs that had registered by 2005 were selected. But the list, the only official data released by the Beijing Municipal Construction Committee, provides only very limited information. It lists the organization name, occupied area, registration date, and HOA Committee director name of the total registered 313 HOAs established in residential neighborhoods. The researcher has no contact information of HOA leaders and was not able to enter the gated neighborhoods. When selected leaders could not be reached, snowballing was used to find replacements. This method might increase the sample bias, because the technique itself reduces the likelihood that the sample will be a good representation of the population. However, this was the only approach that could obtain a reasonably sized sample.

3. For robustness check, two alternative schemes to construct the dependent variables were used. The first one is very similar to the approach reported in the article except that a value of 0 instead of −1 was assigned to No Action. Another one simply uses the proportion of the issues that were completely solved or almost solved as dependent variable. The primary observations are largely independent of the coding scheme. Results are available from the author on request. I contend that the coding scheme that is used in the article does have its merit. The key merit is that it has fully utilized useful information that I collected for measuring problem solving effectiveness. For example, I have tried to differentiate HOAs that have serious problems and take no actions from those that have problems and take no actions. If a HOA faces serious problems that significantly affect their interests, it still cannot overcome the hurdle of collective action. This is a sign that they have a very low capacity in organizing collective actions that aim to solve neighborhood issues. Our effectiveness measure wants to penalize these HOAs and attach them with −2. It is different from HOAs that take no action but the problems are not serious either, for which a value of −1 is assigned. If No Action was coded as 0, we cannot differentiate these two types of HOAs. Furthermore we cannot differentiate them from HOAs that take action but have not been able to solve any of the problems for which a value of 0 is assigned. As a result, the coding scheme used in this article can effectively use collected information to better differentiate HOAs in terms of their problem solving effectiveness. Similarly using the proportion of problems that were completely solved or almost solved neglects the difference in problem seriousness and the difference between Action and No Action. As a result, it cannot differentiate HOAs as well as the coding scheme that is used in the article. In a nutshell, these two alternative
coding schemes suffer from a problem of loss of information and therefore cannot differentiate HOAs as well as the coding scheme that is used in the article. But as a robustness check, they further increase my confidence in the reported observations.

References


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Feng Wang is an associate professor in the School of Public Economics and Administration, Shanghai University of Finance and Economics, China. She received her PhD degree in public administration from University of Southern California. Her research interests include neighborhood governance, environmental policy, nonprofit management, performance evaluation, and others. Her papers have appeared in Management and Organization Review, Geoforum, International Public Management Journal, Energy Policy, Public Performance & Management Review, Journal of Public Affairs Education, among others.