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Earning Trust through Performance: The Initiation Mechanism of Collaborative Governance in Low-Trust Communities

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ABSTRACT

In low-trust communities, residents often expect visible service improvements before paying fees, whereas property management companies require stable revenue expectations before increasing investment. This mutual wait-and-see stance creates a first-mover dilemma. Drawing on the fiduciary property management reform in XH Residential Community in Chengdu, this study uses semi-structured interviews, participant observation, and document analysis to examine how institutional transparency is converted into performance-based trust. The findings show that the reform first reduced uncertainty through a collectively owned fund, open budgeting, and financial oversight. The property management company then assumed initial risk by advancing funds, thereby sending a credible signal of sustained contract performance. Environmental improvements, facility repairs, and public disclosure of results converted institutional commitments into observable governance performance, prompting residents to revise their assessment of the company and respond through fee payment, oversight, and participation. As performance feedback continued, one-off trust building developed into relatively stable expectations of cooperation. The initiation of cooperation in low-trust communities therefore depends not only on transparent rules but also on a mechanism that combines first-bearing of risk with visible performance.

KEYWORDS

Earning Trust Through Performance; Community Trust; Collaborative Governance; Property Management; Fiduciary Property Management.

1. INTRODUCTION

Property management combines the attributes of a market transaction with those of grassroots governance. A property management company provides security, cleaning, maintenance, and order management under contract, while homeowners purchase these services by paying property management fees. Yet the recipients are not isolated individuals. They collectively use roads, green spaces, elevators, parking areas, and common revenues. Service quality therefore depends on whether corporate performance, fee payment by homeowners, oversight by self-governing organizations, and safeguards provided by grassroots government can be effectively connected. In practice, opaque financial information, ambiguous service standards, and weak homeowners' organizations often generate mutually negative expectations between the company and residents. Disputes over property management fees consequently extend beyond contract enforcement and become a problem of trust in community governance.[1][2][3]

Trust does not require actors to suspend risk assessment. It means accepting a degree of vulnerability on the basis of positive expectations when another party's conduct cannot be fully controlled.[4] In a low-trust residential community, residents worry that service quality will remain poor after they pay, while the company worries that additional staffing and maintenance expenditure will fail to improve the collection rate. Each side makes the other's prior action a condition of its own cooperation. The result is a cycle of declining service, falling fee collection, and further erosion of trust. Even when the government temporarily maintains order through coordination or the replacement of a service provider, a new contractual relationship may reproduce the old trajectory unless this first-mover dilemma is resolved.

Existing research explains trust repair in property governance from three main perspectives. One strand emphasizes financial disclosure, contractual constraints, and accountability mechanisms that reduce information asymmetry and constrain corporate opportunism. A second focuses on homeowners' committees, deliberative platforms, and resident participation, arguing that repeated interaction helps generate a shared sense of responsibility. A third examines adjustments in the relationships among government, property management companies, and residents, stressing the significance of multi-actor cooperation for community governance.[5][6][7] These studies demonstrate the importance of transparent rules and organizational participation, but they leave a more specific question unresolved. At the initial stage, when residents do not yet believe that institutions will be honored and the company cannot count on stable revenue, who initiates the first round of cooperation, and how can institutional commitments be converted into trust capable of changing behavior?

This article conceptualizes the process as earning trust through performance. The term refers to a mechanism in which, under conditions of low trust, an actor relies on institutional safeguards to assume an identifiable cooperative risk, demonstrates its capacity to perform through observable and verifiable governance outcomes, and thereby induces other actors to revise their expectations and respond cooperatively. The mechanism differs from interpersonal trust generated through publicity campaigns or relational mobilization, and it cannot be reduced to institutional trust produced by a contract alone. It emerges from the combined operation of institutional safeguards, risk assumption, and outcome verification. Using XH Residential Community as a case, the article addresses three questions: How does fiduciary property management reduce the uncertainty of acting first? Why is a property management company willing to commit resources before trust has been established? How does visible performance move residents from waiting to fee payment, oversight, and participation?

2. ANALYTICAL FRAMEWORK AND RESEARCH DESIGN

2.1 The First-Mover Dilemma in Low-Trust Communities

Property services are continuous and jointly consumed. Cleaning, security, landscaping, and facility maintenance require stable investment, but their benefits are enjoyed by all residents. An individual homeowner who stops paying cannot be immediately excluded from basic services. At the same time, the company controls professional information concerning staffing, expenditures, and maintenance schedules. Homeowners therefore have difficulty determining whether declining service results from insufficient funds, managerial inefficiency, or deliberate cost cutting. Information asymmetry and free riding may reinforce each other, leading both sides to interpret the other's conduct in the least favorable way.

The central feature of a low-trust situation is not that every actor rejects cooperation, but that no actor is willing to expose itself first to the risk of loss. Residents fear that those who pay first will become the few who bear the costs; the company fears that initial investment will not generate a corresponding return; and resident leaders worry that contributing time will attract suspicion. Ostrom's research on the governance of common-pool resources shows that clear boundaries, monitorable rules, and graduated sanctions can make cooperation more predictable.[8] Yet rules enter actors' practical judgments only when they are applied and produce observable results. Initiating cooperation in a low-trust community thus involves two sequential steps: institutions first contain uncontrollable risks, and visible action then demonstrates that those institutions do not exist only on paper.

Institutional transparency is therefore necessary for initiating cooperation, but it is not sufficient. The ability to inspect an account does not immediately persuade residents that the company will actively solve problems, while the existence of a contract does not necessarily persuade the company to make additional investments when the collection rate remains low. Initial cooperation also requires a costly signal. A signal is more likely to be treated as credible when it is expensive to imitate and the actor must bear a loss if the initiative fails.[9] The company's advance funding, public budget, and acceptance of project inspection converted an abstract commitment into a costly signal of contract performance.

2.2 An Analytical Framework for Earning Trust through Performance

The mechanism consists of five connected stages. The first is institutional safeguards. A collectively owned fund, open budgeting, contractual obligations, and organized oversight specify financial ownership and behavioral boundaries, creating a minimum expectation of cooperation. The second is first-bearing of risk. Before residents have developed sufficient trust, the property management company commits funds and professional services and bears the possibility that the first round of cooperation may fail. The third is visible performance. Budgets, public disclosure, project acceptance, and resident evaluation make the service process verifiable, while changes in the physical environment and facilities make outcomes directly perceptible. The fourth is trust updating, as residents revise their assessment of the company's motives and capabilities in light of new information. The fifth is cooperative feedback. Residents respond to contract performance through fee payment, deliberation, and oversight, and stable revenue and public recognition support the next round of service provision.

The framework distinguishes institutional trust from performance-based trust. Institutional trust derives from contracts, accounts, and oversight mechanisms. It primarily addresses whether funds can be controlled and violations detected. Performance-based trust derives from actors' continuing observation of contract outcomes. It addresses whether the company has both the willingness and the capacity to solve problems. Institutional safeguards reduce the risk that cooperation is impossible, whereas performance verification reduces doubts about the willingness to cooperate. Together they convert cooperation from an institutional possibility into a practical reality, as shown in Figure 1.

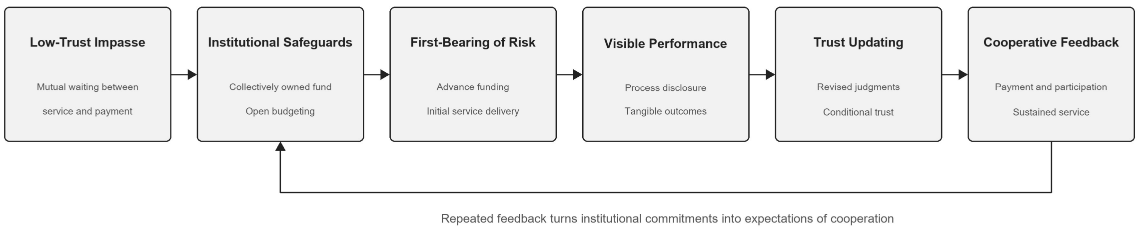

Figure 1. Analytical Framework for Earning Trust through Performance

Earning trust through performance remains conditional. Visible outcomes that consist only of a one-off beautification project cannot demonstrate that routine services will continue. Financial disclosure that is too complex for ordinary residents to understand cannot support effective oversight. Advance funding without budget constraints or repayment arrangements may create a new form of debt dependence. The mechanism therefore does not mean exchanging short-term construction projects for resident support. It requires risk assumption, the use of funds, service delivery, and outcome evaluation to remain within a verifiable institutional chain.

This study adopts a single-case design and process-tracing method. Its evidence comes from semi-structured interviews, participant observation, and institutional documents. Statements by different actors were compared, and key dates and figures were cross-checked against financial and project records. This procedure reconstructs how cooperation moved from impasse to initiation and then to feedback.

3. BARRIERS TO INITIATING COOPERATION UNDER LOW TRUST

Under the traditional lump-sum contract, property management fees were collected by the company and incorporated into its operating account. Homeowners had no sustained access to complete information on staffing, cleaning, maintenance, or common revenues. Although the contract listed service items, it lacked quality standards that ordinary homeowners could readily verify. As service declined, residents could judge the company only through the condition of the environment and the attitudes of frontline staff, and they gradually interpreted individual problems as evidence that the company as a whole was untrustworthy. In response to repeated complaints and nonpayment, the company tended to conclude that residents demanded services without accepting their costs. Both sides could thus justify defensive strategies.

This relationship produced a typical pattern of mutual waiting. Residents demanded that the company first improve the environment and repair facilities before they considered repaying arrears. The company maintained that the collection rate was insufficient to cover new investment and that service could improve only after revenue increased. The more reluctant residents became to pay, the more strongly the company was inclined to reduce costs. The more the company reduced investment, the more residents regarded nonpayment as a reasonable choice. Property management deteriorated from market exchange into reciprocal pressure, while the subdistrict office and community organization could provide only temporary fallback support when waste collection failed, safety hazards appeared, or conflicts escalated.

After the original company withdrew, the subdistrict office introduced an emergency provider to maintain basic services. The new company nevertheless faced the same shortfall in fee collection and the same disputes over repairs. Residents demanded disclosure of funds and service plans, while the company sought a rapid recovery in fee collection. Disagreement over the use of maintenance funds and project quotations continued to grow. The emergency provider eventually withdrew ahead of schedule, showing that changing the service provider did not automatically alter residents' experience-based judgments. Residents still expected a new company to repeat the practices of cutting investment and controlling information, while the company continued to view the community as a high-conflict project with a low collection rate.

The central problem consequently shifted from selecting a property management company to making commitments credible. If the government merely required residents to pay, substitute governance and administrative dependence would continue. If the company alone was required to improve services, it would bear costs that might never be recovered. If reform consisted only of additional financial disclosure, residents could still doubt whether the services behind the accounts were genuine. A new governance arrangement had to solve three problems simultaneously: funds had to remain controllable, the company had to be willing to act first, and residents had to be able to verify performance.

4. THE PROCESS OF EARNING TRUST THROUGH PERFORMANCE

4.1 Institutional Safeguards: Reducing the Uncertainty of Acting First

Fiduciary property management first changed the way property funds were controlled. XH Residential Community established a collectively owned homeowners' fund account into which property management fees and common revenues were consolidated. The company held the payment password, while homeowners held an inquiry password that gave them access to receipts and expenditures. Open budgeting placed service items, quality standards, and cost arrangements under discussion before expenditure occurred. An oversight group composed of members of the community Party committee and residents' committee, members of the homeowners' committee, and resident leaders reviewed budget implementation and the flow of funds. Under the contract, the company received 12 percent of total property revenue as remuneration, with the remainder devoted to community services.

These arrangements reduced the uncertainty faced by both residents and the company. For residents, paid fees did not leave the collective control of homeowners, and the company could no longer turn surpluses produced by service cuts into concealed profits. For the company, the remuneration rate, scope of service, and budget boundaries were specified. Sustained performance and fee collection could therefore generate a relatively stable operating return. The contract and account enabled both parties to assess the likely costs and benefits of cooperation in advance and created an institutional basis for the company to invest first.

Institutional safeguards also changed the mode of government intervention. The subdistrict office and community organization no longer decided each service item directly. They focused instead on maintaining contractual procedures, supervising financial disclosure, and correcting risks when conflict arose. The Ministry of Housing and Urban-Rural Development and other departments have called for integrating property management into the system of grassroots social governance and strengthening coordination among grassroots Party organizations, residents' committees, homeowners' committees, and property management companies.[10] In XH Residential Community, administrative support was converted into procedural safeguards. This provided authoritative backing for the new company's entry while avoiding long-term government substitution for homeowners' decisions.

A common account and open budgeting nevertheless answered mainly whether funds were traceable and rights and responsibilities were clear. They did not directly answer whether services would actually improve. Residents had already experienced the withdrawal of two property management companies and remained cautious about institutional explanations. Some accepted financial disclosure but refused to resume payment before observing concrete changes. Institutional safeguards therefore contained the worst risks, but the company still had to demonstrate through costly action that it would not reproduce the old model.

4.2 First-Bearing of Risk: The Company's Credible Signal

The company's decision to invest first did not represent altruism detached from calculations of costs and returns. Under the fiduciary model, corporate income shifted from opaque residual earnings to relatively fixed remuneration and a long-term contractual relationship. A higher collection rate, a stable service period, and the accumulation of corporate reputation became more important operating objectives. The company estimated property management fees, common revenues, and service expenditure and concluded that long-term cash flow could cover the initial improvement costs. An interviewed company manager summarized the calculation as follows: 'We ran the numbers. Revenue minus expenditure would leave a surplus.' (Interview FT20260515L) The company was consequently willing to exchange current investment for future contractual stability and project reputation.

In practice, the company and community actors identified 18 pressing problems and prepared an initial budget of approximately RMB 1.13 million. Before fee collection had recovered, the company advanced funds for environmental remediation and facility repairs. This advance exposed it to the risk that residents would not respond, common revenues would prove insufficient, or the contract would be terminated. Compared with a verbal promise, such investment imposed a substantial cost in the event of failure. Other actors therefore had less reason to dismiss it as short-term publicity, making it a more credible signal of cooperation.

First-bearing of risk also corrected the temporal mismatch in cooperation. Residents no longer had to trust the company before paying; they could retain their doubts while observing its conduct. Nor was the company investing without limits. It controlled risk through the collectively owned fund, budget estimates, the contractual term, and arrangements for repayment from common revenues. Procedural safeguards provided by the government and community organization, together with confirmation of budgets and projects by the homeowners' committee, turned the advance into contractual performance within an institutional framework rather than a temporary agreement between the company and individual residents.

The initial investment had two implications. It demonstrated to residents that the company was willing to bear the cost of initiating cooperation, and it demonstrated to the subdistrict office and community organization that the company could manage a complex residential project. The company thereby secured a more stable operating environment, while the government could decide whether to reduce direct intervention on the basis of actual performance rather than corporate promises. The market actor's self-interest did not disappear; the new revenue structure redirected it toward continuous service and reputational accumulation.

4.3 Visible Performance: Service Outcomes and Trust Updating

Risk assumption can affect residents' judgments only when it is converted into visible performance. In XH Residential Community, visibility had both procedural and outcome dimensions. Procedural visibility came from published budgets, account access, work records, and project acceptance. Residents could identify the sources and uses of funds and determine whether projects had been completed. Outcome visibility appeared in everyday changes to cleaning, landscaping, roads, lighting, public facilities, and order maintenance. Residents did not need professional financial knowledge to judge from daily experience whether the company was performing its obligations.

The two forms of visibility jointly narrowed the company's room for strategic explanation. When physical outcomes improve without financial disclosure, residents may suspect that short-term investment conceals long-term profit extraction. When accounts are disclosed without improvements in service, transparent information becomes an additional cognitive burden. Financial flows and service outcomes corroborated each other, enabling residents to match budgeted items with actual environmental changes and allowing the homeowners' committee and community organization to track corrective action against contractual requirements.

Visible performance changed the evidentiary basis of trust. Residents no longer relied entirely on past experience, promotional claims, or endorsement by the community organization when assessing the property management company. They increasingly relied on service outcomes. Trust thus took the form of conditional, performance-based trust. As long as the company continued to meet budgetary and service standards, residents were willing to pay and cooperate. If the company departed from its commitments, they could raise questions through account access, oversight organizations, and deliberative procedures. This form of trust retained oversight and did not require residents to abandon doubt.

Visible performance also gave government a basis for adjusting the boundary of intervention. The subdistrict office and community organization could use problem resolution, resident evaluations, and service stability to determine whether the company and self-governing organizations were capable of handling routine affairs. When the company performed and the homeowners' committee exercised lawful oversight, government reduced substitute handling of specific matters and shifted toward procedural correction and baseline safeguards. Performance therefore served both as a basis for resident trust in the company and as a basis for government adjustment of governance boundaries.

4.4 Cooperative Feedback: From One-Off Trust Building to Sustained Cooperation

Residents first responded to visible performance through changes in fee payment. The collection rate rose from approximately 40 percent to 98 percent, resident satisfaction exceeded 90 percent, and complaints declined markedly. These indicators alone do not demonstrate that a community of governance had already formed, but they do show that residents changed their assessment of the company's capacity to perform. Stable collection improved the cash flow available for service delivery, and the company could continue to complete budgeted projects, producing a positive feedback loop of performance improvement, payment response, and service continuity.

Cooperative feedback subsequently extended from fee payment to deliberation and joint investment. The community conducted six rounds of open budgeting in which residents expressed views on service items, funding limits, and implementation priorities. After early improvements in common areas produced visible effects, different building units crowdfunded additional projects involving entrance halls, floors, the underground garage, and elevators. Once the first project was completed, other units joined after observing its actual effects. Residents did not need to reach a high degree of consensus at the outset. They could gradually choose to participate after observing completed projects, transforming cooperation from comprehensive mobilization into a differentiated and followable process.

One homeowner who had refused to pay property management fees for seven consecutive years paid the arrears after seeing the changes and joined the team of micro-grid coordinators. The change shows that earning trust through performance can influence not only residents' assessments of a company but also their understanding of their own roles. Residents moved from being service evaluators to fee payers, overseers, and participants in public affairs, while individual action influenced others through neighborhood evaluation and information sharing. The company's initial signal thus developed into an experience of cooperation among multiple actors.

Once payment, budgeting, implementation, acceptance, and evaluation formed a repeated chain, earning trust through performance no longer depended on a single improvement project. Residents could raise demands through established procedures, the homeowners' committee could aggregate preferences, the company could formulate and implement plans, and residents could evaluate the results. Each round of action tested the trust generated by the previous round and supplied information for subsequent cooperation. The relationship gradually shifted from unilateral corporate demonstration toward reciprocal performance of responsibilities by all actors under shared rules.

5. CONCLUSION AND DISCUSSION

Using the fiduciary property management reform in XH Residential Community, this article has examined the mechanism that initiates cooperation in a low-trust community. Transparent institutions do not automatically generate trust. Cooperation begins through a sequence of institutional safeguards, first-bearing of risk, visible performance, trust updating, and cooperative feedback. A collectively owned fund, open budgeting, and organized oversight reduced the risks of financial loss of control and corporate opportunism. By advancing funds, the company bore the cost of the first round of cooperation and released a credible signal carrying a real cost of failure. Procedural disclosure and environmental improvement enabled residents to verify corporate commitments. Residents then responded through payment, oversight, and participation, moving the service relationship into a positive cycle.

The findings extend research that explains trust repair primarily through rule transparency. Institutional arrangements determine whether cooperation can be constrained, first-bearing of risk determines who acts first, and visible performance determines how others can verify the action. None is dispensable. Institutions without action may leave residents waiting. Investment without oversight may allow corporate behavior to return to opportunism. Short-term outcomes without continuing feedback cannot stabilize trust. Earning trust through performance converts an institutional commitment into an observable fact of contract performance and then uses other actors' responses to consolidate that fact into an expectation of cooperation.

The mechanism also has clear limits. The company must possess professional capacity and sufficient resources for an initial investment. The residential community must have property management fees and common revenues that can be estimated, while the community organization and homeowners' organizations must provide procedural safeguards. Where common revenues are scarce, property relations are complex, resident turnover is high, or self-governing organizations are absent, advance funding may be difficult to recover and visible performance may not produce stable participation. Concentrated construction projects must not replace routine services, and companies must be prevented from manufacturing a 'performance spectacle' by selecting only projects that are easy to display.

From the perspective of public administration, government's role is to ensure that rules genuinely operate, verify performance information, and maintain self-governing procedures rather than provide services on behalf of the company or make decisions for residents. The property management company demonstrates its capacity to perform through professional service and risk assumption, while homeowners and their organizations generate feedback through payment, deliberation, and oversight. The division of labor among government, market, and society is thereby grounded in verifiable performance. Future research can compare communities with different resource endowments and organizational conditions to test more systematically the relationships among the scale of initial corporate investment, the visibility of performance, and the updating of resident trust.

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