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Stuck in the Middle: Maintaining the Organizational Legitimacy of the Regional Environmental Center

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Abstract

Maintenance of legitimacy is central to the survival of any organization and is of particular importance to non-governmental organizations (NGO) reliant on external sources of income. Interaction with the external environment plays an important role in determining organizational legitimacy, shaping actions and determining opportunities. The ability of an organization to effectively respond to and influence the external environment can potentially strengthen its legitimacy. This paper considers the issue of organizational legitimacy by using resource dependence and institutional theories to analyse the development of the Regional Environmental Center for Central and Eastern Europe (REC). The findings indicate that it is possible for an organization to maintain legitimacy through adaptation, responding to the rise and fall of external opportunities and challenges. As predicted by institutional theory, it also argues that external environmental factors place increasing pressure for conformity over time, limiting scope to manoeuvre over the longer-term.

Introduction

The communist regimes that dominated Eastern Europe until 1989 left a legacy of severe environmental degradation and a weak civil society. A focus on the rapid development of heavy industry meant that any issue not linked to economic performance or security was given little consideration. Regime changes across the region were expected to lead to improvements in the state of the environment, with the shift to market based democratic systems and open contestation of environmental issues (Waller & Millard 1992). The growth in the number and scope of environmental non-governmental organizations (NGO) in post-communist Europe has been well documented (see for example: Carmin & Jehlicka 2005; Cellarius & Staddon 2002; Fagan 2006; Fagan & Jehlicka 2003; Jancar-Webster 1998). These NGOs emerged in a range of areas and contexts, seeking to raise awareness and to suggest means of addressing environmental concerns. Faced with a proliferation of organizations competing for resources, donor agencies increasingly

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turned to intermediate support organizations to build NGO capacity through the distribution of funding, provision of technical assistance, and bridging between sectors.

This article focuses on the emergence and consolidation of one such support organization: the Regional Environmental Center for Central and Eastern Europe (REC). Despite the apparent importance of the organization, there have been no focused analyses of its activities, with previous work briefly examining its role in the development of environmental movements in Eastern Europe (Jancar-Webster 1998) and in influencing the domestic environmental field (Fagan 2006). This paper examines the development of the REC as an organization, focusing on how it has attempted to achieve and maintain organizational legitimacy in a changing political context.

The aim is to understand how external pressures have impacted the organization, how it has adapted to change, and whether it has been able to maintain organizational legitimacy. To analyze the development of the REC, the paper utilizes two theories developed in the field of organizational sociology: resource dependence theory and institutional theory. Examining the REC in this manner will shed light on how support organizations seek to maintain legitimacy in the face of changing external environmental pressures.

The article is divided into five sections. The paper begins by examining the concept of the NGO support organization. The second section outlines the literature surrounding resource dependence and institutional theory approaches to organization studies. Following this, the article briefly covers the methodology used before examining the emergence and consolidation of the REC as a support organization. In the fifth section, the experience of the REC is considered in relation to resource dependence and institutional theories, analyzing how the REC has responded to changes in the external environment in attempting to maintain organizational legitimacy.

NGO Support Organizations

In order to understand the operation of the REC it is important to outline the form of organization. This requires consideration of NGOs and the role of the support organization. Examining the operation of NGOs, Mercer (2002) argues that they "are officially established, run by employed staff…well-supported…and that they are often relatively large and well-resourced" (p. 6). These

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groups play an important role in establishing regularized systems and stable patterns of operation, in contrast to more flexible issue-based grassroots organizations. NGOs adopt a range of methods to achieve their goals (Berny 2009; Carmin & Balser 2002) but there has been a noted tendency towards professionalization, as they seek to secure funding to sustain their activities (van der Heijden 1999). The shift towards professionalized structures has facilitated better relationships with administrative institutions and brought new challenges (Clark 1995). Atack argues that in order to maintain legitimacy, NGOs must avoid becoming "either a substitute for or a servant of the state…NGOs must be partners of and not merely contractors" (1999, p. 863). The challenge facing NGOs is one of maintaining mechanisms for influencing administrative decisions and attracting financial support, while continuing to represent their stakeholders and pursuing their organizational goals.

Support organizations can be seen as a distinct form of NGO whose purpose is primarily one of assisting other organizations by "span[ning] the gaps among diverse constituencies" rather than pursuing their own objectives (Brown 1991, p. 808). Brown and Kalegaonkar (2002, p. 256) identify the five functions undertaken by support organizations as:

> (a) strengthening human and organizational capacities, (b) mobilizing material resources, (c) providing information and intellectual resources, (d) building alliances for mutual support, and (e) bridging to other sectors.

These functions are complicated and involve engagement at a number of levels, supporting individual organizations and operating across sectors. In performing these tasks, support organizations establish and develop relationships with a range of stakeholders. Two key features have been identified as central to an understanding of the ability of support organizations survive and prosper. The first is that they are located at the centre of several constituencies – local groups, national bodies, and international institutions (Sanyal 2006). Being located at the intersection of groups operating on multiple levels gives the support organization a unique perspective and one that it is able to use to its advantage. Where such an organization is seen as effective in its own right it will be increasingly relied on to act as a conduit, potentially allowing it to manage the setting to ensure its longevity. Secondly, the primary task of the support organization is support capacity building and network development (Brown & Kalegaonkar 2002). Where an organization has been established to provide support to emerging civil society organizations there are questions about its

longevity, particularly whether such an organization is still required when sufficient local or domestic capacity has been developed.

When examining support organizations, it is important to bear in mind that they are themselves NGOs with a desire to maintain organizational integrity. Sanyal (2006) notes that the "unconventional nature of their functions and their structural location makes the issue of governance a problematic one for such organizations" (p. 67), operating at multiple levels and accountable to a range of stakeholders. The complicated governance and accountability characteristics of support organizations provide opportunities for them to maintain organizational legitimacy in the face of challenges. In cases where views of the continued legitimacy of the support organization vary between stakeholders operating above (donors) and below (recipients), the organization may be able to continue in the face of declining legitimacy by cultivating one group of stakeholders. Pressure to maintain institutional structures may lead organizations to ally themselves with donors, losing independence and becoming distant from the communities they seek to represent (Clark 1995). The article now turns to resource dependence and institutional theories, to consider their contributions on the ability of organizations to deal with the external environment.

Organizational Theory and the External Environment

Prior to assessing the organizational development of the REC, it is necessary to establish the basis on which the organization is being examined. Decisions made and actions taken are constrained both by the availability of resources and the social, political and economic character of the specific context in which the organization operates. Pfeffer and Salancik (1978) have argued, "organizational activities and outcomes are accounted for by the context in which the organization is embedded" (p. 39). This article acknowledges the importance of the external environment in shaping organizational outcomes, but argues that organizations retain agency that allows them some influence in determining their direction. These factors are of particular relevance in the case of the REC, for two reasons. Firstly, the REC is a non-profit organization and as such relies on external sources of funding to pursue its mission, leaving it open to external influence (see Froelich 1999). Secondly, there have been significant upheavals in the political systems in Eastern Europe since the REC was founded in 1990, creating new opportunities and challenges within the external

environment to which the organization has had to adapt. The article now examines the key features of resource dependence and institutional theories before considering their predictions for organizational development and the implications for the operation of NGO support organizations.

Resource dependence theory focuses on the ability of an organization to acquire and maintain the resources necessary to ensure its continued stability and legitimacy. Outlining the core theme of resource dependence, Aldrich and Pfeffer (1976, p. 83) argue that:

> The resource dependence model proceeds from the indisputable proposition that organizations are not able to internally generate either all the resources or functions required to maintain themselves, and therefore organizations must enter into transactions and relations with elements in the environment that can supply the required resources and services.

Dependence on external resources and the need to enter into relations creates power relations, with the holder of the resources able to exert pressure on organizations to respond to external demands and expectations (Froelich 1999; Helmig, Jegers & Lapsley 2004). The requirement to adapt to the external environment in order to generate resources may limit the ability of the organization to direct its operation and determine a strategic direction. O'Regan (2001) supports this point by arguing that resource dependence theory "allows us to look at how resource requirements have shaped the life history into different types of alliances and funding relationships." (p. 251)

Although external pressures may limit organizational choice, organizations remain "active and capable of changing, as well as responding to the environment" (Aldrich & Pfeffer 1976, p. 83). Rather than being passive recipients, organizations are viewed as active participants in the environment, able to determine to a certain extent the nature and scope of dependence. Dependence can be reduced where an organization is able to reduce the concentration of its resource base, thereby limiting the power that external organizations are able to accumulate (Hodge & Piccolo 2005). There are also other sources of power within the environment that can be accessed by organizations seeking to strengthen their position. Scott (2004) notes that while resource dependence "stresses the benefits of adaptation to the environment…it conceives of environments as including political as well as economic systems", providing tools with which the organization can shape its environment (p. 6). Furthermore, organizations are able to generate

non-financial support through the development of relationships with other organizations (Feldman 2004) and legitimacy that may be used to counteract, to a certain extent, environmental pressures.

The pressure to generate resources and at the same time maintain legitimacy is of particular importance for non-profit organizations as they are "dependent on donors and do not have recourse to capital markets for funding" (Helmig, Jegers & Lapsley 2004, p. 107). Different revenue sources offer advantages and disadvantages that must be taken into account when seeking support for the organization. Froelich (1999) argues that government funding provides stability due to low levels of revenue volatility, but there is a cost in the level of autonomy resulting from the need to adhere "to minute details, intense monitoring, and prolific reporting…[requiring] highly formalized and standardized procedures…" (p. 260). By contrast, organizations that rely on private contributions are subject to higher levels of volatility and the challenge of strong goal displacement effects, potentially leading the organization away from its mission to focus on the interests of donors (Edwards & Hulme 1996; Froelich 1999). LeRoux (2009) notes that non-profit organizations must balance time and attention between stakeholders, meaning the need to secure funding should not lead to neglect of service recipient stakeholders. Non-profit organizations rely on maintaining legitimacy in the eyes of their stakeholders; adopting funding structures that weaken or challenge this legitimacy will undermine the ability of the organization to operate effectively.

In contrast to resource dependence theory, institutional theory is concerned with a broader conception of external environmental pressures. Organizations must consider the importance of social and cultural systems (norms and beliefs) of the external environment within which they operate (Scott 2004). Examining the importance of the external environment, Meyer and Rowan (1977, p. 340) argue that:

> organizations are driven to incorporate the practices and procedures defined by prevailing rationalized concepts of organizational work and institutionalized in society. Organizations that do so increase their legitimacy and their survival prospects independent of the immediate efficacy of the acquired practices and procedures.

The need to conform to environmental pressures is argued to result in increased organizational homogenization, as the systems within which an organization is embedded limit agency by precluding some decisions or restricting access to forms not seen as acceptable. DiMaggio and

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Powell (1983) note this trend and argue that the result is institutional isomorphism, whereby organizations develop similar methods for responding to the environment and become increasingly alike. Evidence of isomorphism within environmental movements can be seen in the move towards greater professionalism (van der Heijden 1999).

The process of isomorphism has been identified as being driven through three distinct mechanisms, each reflecting environmental pressures: coercive, mimetic, and normative. These mechanisms result from "political influence and the problem of legitimacy…responses to uncertainty…[and] professionalization" (DiMaggio & Powell 1983, p. 151). From this perspective, isomorphism can be seen as a cumulative process pushing the organization in a particular direction, to satisfy external pressures and ensure organizational continuity. The effect of such cumulative change is noted by Scott (2008) who argues "when organizations adopt changes in their formal rules and structures in response to institutional pressures, changes that might be seen as superficial at first become more significant over time" (p. 432). In effect, environmental pressures constrain organizational choice and this in turn shapes the development of the organization, restricting opportunities for change as practices and procedures are institutionalized.

Legitimacy is an important element of institutional theory, given the centrality of social and cultural pressures emanating from the external environment. In this context organizational legitimacy is the "perception or assumption that the actions are…desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman 1995, p. 574). An organization that is able to generate legitimacy will be better positioned to ensure its stability and continuity. While legitimacy may allow an organization to resist some of the pressures for isomorphism, if it is perceived to be an important actor within the social context, this is not guaranteed. The pressure to conform to institutionalised rules in order to generate legitimacy may conflict with attempts to increase efficiency, thereby weakening the legitimacy of the organization in the longer-term (Meyer & Rowan 1977). For non-profit organizations, the pressure to conform may lead to the organization moving away from, or revising, its core mission to meet the expectations of external actors.

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Comparing institutional and resource dependence theories the similarities are clear, particularly the acknowledgment of the importance of the external environment in shaping the organizational development. Examining the two theories, Oliver (1991, p. 149-150) argues:

> Resource dependence theory assumes that organizations exercise some degree of control or influence over the resource environment…In contrast, institutional explanations…emphasize the role of conformity, habit and convention…power tends to be attributed to the institutional environment rather than the organization

The external environment is not a unified whole, allowing organizations to choose strategies ranging from conformity to active resistance depending on the character and context of the pressures they face (Oliver 1991). As noted in relation to resource dependence, a fragmented external environment provides an organization more opportunity to act by drawing on competing elements within the environment. Organizational legitimacy is important in this context; where it is high and sustained the organization will have more scope to obtain resources and determine its own development. Where the perceived importance of an organization (legitimacy) falls, the organization will have difficulty in securing resources to ensure its continued existence and stability. It has also been argued that the ability of non-profit organizations to obtain resources "is largely a function of the level of legitimacy accruing to the need and to the organization" (O'Regan 2001, p. 242). Therefore, where an organization's legitimacy falls it may be able to draw on the legitimacy of the need that it serves in order to sustain its activities.

The convergence of resource dependence and institutional theories on the external environment reflects the perception that the strength of an organization is tied to its legitimacy and the ability to secure resources. Relying on external sources of income, support organizations are particularly vulnerable to shifts in the external environment, in terms of changes in funding structures, competing providers, and declining need. Resource dependence theory notes this vulnerability, but grants the organization agency in shaping outcomes, changing approaches in order to ensure continued survival. In this way, the resource dependence approach would appear to support the view that, when faced with challenges an organization can adapt and maintain its legitimacy by cultivating the stakeholders most likely to support it. In contrast, institutional theory limits the scope for an organization to deviate from a set path, as it is constrained by a greater range of norms and obligations. The development of a support organization in this manner would limit

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opportunities for change. In view of the pressures towards isomorphism, the more institutionalised an organization becomes, the less able it is to adapt to the external environment. The case of the REC will now be considered within these differing perspectives.

Research Method

The research in this article draws on a series of interviews conducted with REC representatives in Hungary, Bulgaria and Romania, and NGO members in Bulgaria and Romania. This material is supplemented by a review of the secondary literature covering the REC and organizational documentation (such as Annual Reports). As the focus of the project was on the organizational development of the REC, this was seen as the most effective way of understanding the origins and direction of the organization. The semi-structured nature of the interviews allowed the interviewer to pursue points of interest with the subjects, to obtain a richer picture of the REC. All interviews took place between May and July 2007 and lasted an average of 50 minutes. Interviews were recorded and transcribed and all interviewees were sent a copy, to check the output and clarify any points of confusion. All relevant interviews were consulted in the preparation of this article and the material cited is representative.

Requests for interview were sent to representatives of the nine program areas (Business & Environment, Capacity Building, Climate Change, Environmental Law, Environmental Policy and Local Initiatives, Information, International Secretariat, NGO Support, and Public Participation) operated by the REC at the time of the fieldwork and members of the Office of Executive Director, all based at the head office in Szentendre, Hungary. Thirteen requests for interview resulted in five interviews; one cancelled due to illness, three participants were away during the available time, and there was no response from four. Three of those interviewed had worked with the REC for over 10 years, while the remaining two had prior experience in the domestic environmental NGO sector and state administration. The range of experience and roles of the interviewees provided suitable representation of the organization. The interviews covered the organizational history and origins, change and key developments, relationships with external actors (NGOs, business, government), relationships with donors, role of the country offices, effect of EU expansion and development of NewRECs, and future direction of the organization. Two further interviews were conducted with staff of REC country offices in Bulgaria and Romania regarding their key activities and projects,

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relationship with head office, funding structures, relationships with external actors, and future of the country office.

The research also utilizes interviews conducted as part of a broader PhD project on the development of environmental capacity in Southern Europe. This includes material from interviews conducted with nine environmental NGOs representatives operating in Bulgaria and Romania as part of research examining the relationship between democratization and environmental capacity building in South and South-Eastern Europe. These interviews were structured to capture a broad perspective of environmental politics in each country, incorporating environmental policy, effects of democratization, public participation, environmental NGO activities, media, foreign influence and state administration. At the end of each interview, the subjects were asked about their perception of the operations and performance of the REC.

Organizational Development of the Regional Environmental Center for Central and Eastern Europe

The REC was established in June 1990 (founded by the European Commission, Hungary, and the United States) as an institution that could harness the energy generated by democratization across Eastern Europe to support domestic capacity.[i] The actions of the preceding communist regimes in the region left a legacy of environmental degradation and stunted civil society (Waller & Millard 1992). The formative period of the REC has been identified as a time of "big hopes and big visions", donors had high expectations about the ability of the REC to address environmental problems across Eastern Europe (Interview member NGO Support Program, Szentendre, May 2, 2007). It was noted during an interview that the REC has been careful to define its position as a "facilitating, enabling organization, which is kind of neutral in the sense of political issues…we are enabling others to play their role." (Interview member Public Participation Program, Szentendre, June 6, 2007) The success of the REC in supporting the goals of the donor countries is reflected in the fact that it was initially set up as a three-year project, but became permanent due to its strong performance (Interview member Office of the Executive Director, Szentendre, May 9, 2007).

Central to the initial growth in influence and stability of the REC was guaranteed core funding during the first six years of operation. Receiving funding in this manner enabled the organization to

determine and pursue its own projects, drawing on expertise and experience to focus on methods it saw as most effective and adapting accordingly. Changes to the funding structure from 1996 saw a move from "mid-term unearmarked donations, towards project-based support on a yearly basis" (REC 1999, p. 9), requiring the REC to compete for grants and tenders. The REC provided support (both financial and administrative) initially without preconditions, but this was later tightened, as groups were required to specify and prioritize projects (Jancar-Webster 1998). Growth in the size and scope of the REC meant that generating sufficient income to maintain the infrastructure became an important issue.[ii] To attract funding, projects were undertaken that increasingly targeted technical assistance and the implementation of legislation, along with a focus on developing closer relations with the domestic administrative bodies and the business community (Interview member NGO Support Program, Szentendre, May 2, 2007). On examination of changes in the patterns of contributions, the REC has been able to encourage new donors to contribute as well as change the character of the relationship with 15 beneficiary states contributing to the REC in 2007. The number of state contributors to the REC increased from 15 in 1997 (the first full year under the new funding structure) to 32 in 2007. Over the 1997-2007 period, the amount contributed by the three founders (Hungary, the EU, and the US) also declined from 47.46 percent to 28.78 percent of total contributions.[iii] Increased diversification in the distribution of funding sources indicates that the stakeholders perceive it to be fulfilling a necessary role.

The shift to project-based funding led to a reorientation in the role and direction of the REC and the operations it undertook. This is clearly illustrated in the change in the level of grants given to NGOs operating in the region. Earmarked grants (renamed Region-Wide Environmental grants in 1997) to support regional NGO projects fell from US$708,841 for 45 projects in 1995 to US$138,320 for eight projects in 1997, while local grants aimed to support domestic NGO activities and infrastructure fell in number from 557 (US$675,427) in 1995 to 279 (US$295,709) in 1997. There has also been change in the operation of the country offices with a member of the Bulgaria country office noting that the:

> "REC is not a donor…sometimes there is such project, depends sometimes there is such project, but we're just competing lets say on just writing project proposals and it is sometimes we still meet with different NGOs in Bulgaria who have the perception of REC as donor organization…before there

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> were more projects, some big projects managed by head office…[now] we have [more] locally based projects at the country office." (Interview member Bulgaria Country Office, Sofia, May 16, 2007).

At the regional level the organization has moved to become more involved in the implementation of larger projects. A recent example that illustrates the change is the Danube Regional Project (DRP) (2004-2007), in which "120 national and 10 regional DRP projects supported NGO work ranging from higher-level policy involvement in river basin management to practical work with farmers on best agricultural practices." (REC 2006, p. 11) Funding for the project came from the United Nations Development Programme (UNDP) and the Global Environment Fund (GEF) of the World Bank. Although the REC continues to provide grants to NGOs, these have become targeted and more effort is put into implementation and monitoring, through reporting, field visits, and direct contact with NGOs.

The organizational structure is a key feature of the REC, allowing it to effectively cover a wide range of areas. The evolutionary nature of the organization's growth resulted from the broad scope of the mission and the changing needs of stakeholders, meaning that as it matured there was a need for a sharper focus (Interview member NGO Support Program, Szentendre, May 2, 2007). In 1999 the organization was restructured into formal programs to improve efficiency through standardization of practices (REC 2007b). The programs were designed to act as work groups, developing dedicated specialist staff and allowing the organization to adopt a more strategic focus. The second aspect of the organizational structure is the network of country offices that give the REC local representation.[iv] These offices were initially funded directly by head office, while being encouraged to secure alternate sources of revenue, with the goal that they would become self-sufficient and contribute back to the centre. This relative independence has created tension over time, with a REC representative noting:

> there is no fluctuation of country office directors, most of them were appointed in the beginning of [the] 90s….many of them developed into some kind of empire….country office directors very often see the country office as their private property. (Interview member NGO Support Program, Szentendre, May 2, 2007)

Diversity in need has also complicated relations, with offices in countries that have acceded to the EU attracting greater levels of external financial support, while head office has been required to subsidise offices less able to attract steady funding streams.

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Over time, the EU has played an important role in the work of the organization. The introduction of project-based funding coincided with the stabilization of the political systems in Eastern Europe and the move towards EU accession, resulting in the need for more specialized and targeted expert support rather than generalized capacity building.[v] This was recognized in 1999, following a review of REC activities the Annual Report noted that following accession:

> the REC will be a partially EU based organization facilitating improvement of the European environment by providing input into pan-European, EU, regional, national and sub-national environmental policies, and facilitating their development and implementation. (REC 1999, p. 53)

Discussing the effect of EU enlargement, a REC official noted that the situation had changed but argued that the organization still had an important role, as "entering the EU doesn't mean that countries are getting…environmental paradise and there are still a lot of questions, which have to be solved in countries and across borders in the region." (Interview member Office of the Executive Director, Szentendre, May 7, 2007) A central component of the change that followed the 2004 accession has been an attempt to develop technical expertise that can be used to support sustainable development, while beginning to move away from project-based work in Europe. This has involved developing and recruiting staff that are recognized experts in their field, able to act as international advisors on sustainability issues. At the same time, there is a move towards a stronger focus on the economic and social aspects of sustainable development, complementing the organization's existing strength in the environmental field. Discussing the future, a REC representative argued "we are trying to…be a think-tank, not only a do-tank…and help these key processes within the EU and we always try to influence them as well." (Interview member Public Participation Program, Szentendre, June 6, 2007)

The REC has also sought to expand its operations in the states of the former Soviet Union, offsetting the changed context in the countries of Eastern Europe and complementing the opening of a country office in Turkey in 2004. Tookey (2007) notes that there has been increased attention paid to the growth of environmental pressures in Central Asia creating the potential for environmental conflict and leading to increased attention from international agencies. In expanding into Central Asia, undertaking projects with the NewRECs[vi] and other development agencies, the

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REC has sought to take advantage of emerging funding streams. Discussing the expansion of the REC into Central Asia a REC representative argued:

> you always have hotspots, like Central Eastern Europe…in the 1990s, and in 2000 it's the Balkans, now in mid 2000s its becoming Central Asia…where the UNDP and all the consultancy companies are jumping and when this will be over, I don't know what's left over? (Interview member NGO Support Program, Szentendre, May 2, 2007)

The NewRECs in the region are cautious of the involvement of the REC, with some concern that it may emerge as a competitor for funding (Interview member Public Participation Program, Szentendre, June 6, 2007).

The view of the REC from the perspective of the domestic NGOs is complicated and illustrates the difficult position the organization occupies. It was argued that, while the REC has been important in getting environmental issues on the political agenda, there are concerns regarding the applicability of some of its pilot schemes, due to the lack of resources and technical expertise required to apply them on a broader scale (Interview NGO representative, Bucharest, June 27, 2007). A senior NGO representative in Bulgaria summarized the view of the REC in the following way:

> in general the Regional Environmental Center has been established to support civil society in our countries, but very soon it turned into the biggest NGO itself and tried to focus support and money and projects within and on [its] structures. You had quite a number of problems with the Bulgarian office and also because they started to work with the Ministry [of Environment and Waters] and to follow mainly what the Ministry says, well I mean…you should not necessarily be [in conflict]…but the way they ignore NGOs. (Interview NGO representative, Sofia, May 21, 2007)

Although NGO members consulted recognized the important role played by the REC, they questioned its continued presence when domestic groups were playing a more active role. In questioning the role of the REC, domestic NGOs express reservations regarding the legitimacy of the organization. The article now considers how the REC has changed and evolved as a support organization, in light of resource dependence and institutional theories.

Reassessing the REC as a Support Organization through Organizational Theory

The REC was formed as a support organization, fulfilling the criteria outlined by Brown and Kalegaonkar (2002, p. 256). With beneficiary groups increasing their capacity to address

environmental issues and changes in funding structures, the REC was forced to adopt a more active role, participating in project implementation and competing for funding. The lesson that seems clearest from the experience of the REC is that when a support organization is no longer seen as essential it may struggle to sustain itself. The REC appears to have recognized the need for a clear mission and has attempted to find a position where it can utilize its institutional strengths and experience to develop a support role suited to the emerging context. Changes in the context centre around tighter monitoring of donor funds as part of a broader push for increased professionalism at all levels of NGO operation (van der Heijden 1999). The REC's existence can be divided into three distinct periods that correspond to changes in the external environment that impacted directly on the operation of the organization. The periods are divided by the shift to project-based funding (1996) and the accession of eight beneficiary states to the EU (2004). This section considers the development of the REC during these periods before reconsidering the implications for support organizations from the perspective of resource dependence and institutional theories.

The first period of the REC (1990-1996) was defined by the existence of a core funding structure. Guaranteed funding allowed the organization to pursue its mission and chart its own course, as donor requirements were less prescriptive. The external environment the REC was operating in was also less restrictive, beneficiary states were in a period of flux and domestic organizations were relatively weak and dependent after years of suppression. In such a context, the REC was able to play the role of support organization, establishing connections and providing resources and expertise to support domestic capacity. The change in the character of the political structures during the democratization process in Eastern Europe also meant that norms and beliefs were being redefined, allowing the REC to operate freely and strengthen its legitimacy as an important actor. From a resource dependence perspective, the REC was also less subject to power relations (Helmig, Jegers & Lapsley 2004) as these were being formulated. During the initial period the weakness of the constraints imposed by the external environment combined with the growing strength of the REC allowed it more room to operate and define its direction, as there was a genuine need for its services and an absence of competing organizations.

The position of the REC became more complicated following the introduction of a project-based funding structure in 1996. Moving to project-based funding required a shift in the operation of the

organization, but also represented important changes in the external environment. Growing stability of political systems in Eastern Europe during this period meant that expectations of the REC were increased, making it harder to maintain legitimacy. On the donor side, project-based funding meant that the REC was required more regularly to justify its plans and decisions in order to generate income, strengthening power relations by giving donors greater oversight. It also led to isomorphic pressure, as the organization adopted a more institutionalised and professional structure to more effectively meet donor requirements and administer grants. Over the period, beneficiary states were consolidating their political systems and moving towards EU membership, leading to pressure for more targeted assistance from below. The need for greater accountability and involvement on the part of the REC when working with domestic environmental organizations stressed relationships, as they were becoming increasingly active and continued to see the REC as a grant giving organization rather than a partner. This combination of factors illustrate how the REC was influenced more strongly by the external environment; it was being directed more closely by donors, while incurring displeasure from environmental organizations as it became increasingly involved at the domestic level.

With the accession of eight beneficiary states in 2004 the most recent phase of the REC's development began. Over this period growing divisions in the needs of beneficiary states emerged, EU members had greater access to resources and needed less direct support, while non-member states required continued assistance. The REC continues to face isomorphic pressures, through the continued need to generate income, it has begun to develop more complex characteristics and diversity across the organization. This is visible in the country office network, with offices developing expertise suited to the needs of their specific context and being encouraged to undertake more local projects. At the same time, the core of the organization (head office) began to shift its mode of operation, attempting to limit the constraints of project-based funding. This has involved attempts to further develop and focus the expertise of the organization, deepening existing relations with specific donors (in particular the EU). It has also seen the organization attempt to return to its origins as a support organization, using its experience to move into new geographical spheres of operation (Turkey, the Caucasus, and Central Asia). Although these moves show an attempt by the REC to exert some control over its direction, it is clear that the external environment has increasingly influenced the organization restricting its scope to manoeuvre.

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Institutional and resource dependence theories shed light on the development of the REC and can provide lessons for support organizations more broadly. Changes in the external environment have been important in shaping the REC's behaviour, with social and cultural pressures increasingly restricting agency. The ability of the REC to cultivate contributions from an increased range of donors indicates some success in adapting and responding to environmental pressures, while also raising new challenges. As LeRoux (2009) notes, maintaining a balance between stakeholders is difficult. Competing pressures have seen the organization adapt its institutional structures, leading to increased isomorphic stresses. Funding decisions are shaped by the prevailing social and cultural expectations among donors, representing broader shifts in the environment. Although the REC has been relatively successful in sustaining a donor base it has experienced difficulties in maintaining legitimacy among domestic stakeholders (Fagan 2006). In the face of these pressures the REC has attempted to redefine its role, illustrating the importance of agency. However, the growth of social and cultural constraints has limited the room of the organization to manoeuvre, forcing it to diversify its operations. Attempting to contort the organization to satisfy different stakeholders has proved problematic and raises questions about its continued legitimacy.

Before considering the legitimacy of the REC it is important to briefly reflect on the importance of capacity building in determining the nature of the external environment. Jänicke (2002) argues that there are three key aspects to environmental capacity: environmental policy institutions, environmental NGOs, and the media. This position is supported by Carmin and VanDeveer (2005, p. 12) who argue that:

> While capacity development requires well-trained and well-equipped personnel, it is also essential to have effective and efficient governmental and non-governmental organisations to establish appropriate institutional environments in which these organisations can operate.

As a support organization the REC was involved in capacity development in all three areas identified by Jänicke, providing assistance to administrative bodies through training and technical support, as well as working with environmental NGOs and encouraging improved media reporting of environmental issues. The need for support during the early stages of democratization is important; administrative capacity falls as existing structures and practices are replaced and reformed. However, as the democratization process consolidates, the level of state capacity increases,

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thereby allowing for more stable interaction between actors within the political system (Bäck and Hadenius 2008). The political situation in Eastern Europe has settled with the consolidation of democracy, institutions and organizations within the state and society have been established that are capable of working towards addressing the environmental legacy of communism. This in turn raises questions regarding the continued role of the REC and challenges the base of its legitimacy.

While the REC has been relatively successful in generating sufficient funding to maintain institutional integrity, legitimacy has become an important issue regarding the future of the organization. Clark (1995) notes that it is possible for a group to become too close to the state, losing objectivity and becoming distant from the communities they represent. Although the REC has maintained and deepened its connections with domestic environmental organizations, there is a perception that it is too close to the state and that its need to generate funding has led it in that direction. NGO representatives in Bulgaria and Romania argued that the continued presence of the REC (and other international NGOs such as Greenpeace) at the domestic level is limiting opportunities to engage with the state by crowding them out (Interviews with NGO representatives, Sofia, May 21 and Bucharest, June 27, 2007). From this perspective the REC is no longer needed to the same extent to promote cooperation and in some cases may act as a barrier to further domestic integration. Recognition of this challenge is clear in the REC's strategy of moving away from project-based work and attempting to reform itself into an advisory institution offering specialist expertise across Eastern Europe and beyond.

The case of the REC has shown that the external environment is crucial in determining how an organization operates. In situations where the external environment is undergoing change pressures will be less exacting, allowing greater agency and opportunities for decision-making. However, stabilization of social and cultural systems as identified by institutional theory can lead to declining legitimacy or restrictions on operations as the organization is seen as unnecessary in the settled context. This is particularly clear in the case of support organizations seeking to build capacity. When the need for such an organization declines, it can seek to maintain position by focusing attention on cultivating donors. This may come at the expense of the stakeholders it exists to support and lead to isomorphic pressures, as donors are able to exert increasing power over its direction. In this way resource dependence theory can explain some of the variation in

organizational behaviour, but institutional theory is more able to capture the broader context and factors that shape an organization.

Conclusion

This article has examined the importance of changes in the external environment in determining the legitimacy of the REC, and how this has affected its development. Democratization across Eastern Europe provided an opportunity for the REC to emerge as a key support organization, establishing a strong position across the region. The relative weakness of the social and cultural constraints during the initial democratization period and the need for assistance in capacity building granted the organization a substantial degree of agency. As the political systems stabilized and the emerging social structures started to play a more important role, the legitimacy of the organization was increasingly challenged. Together with changes in the funding structure, this resulted in the REC starting to play a more active role in the implementation of projects and competing more directly with former beneficiaries for funding. With the accession of eight beneficiary states in 2004 the position of the REC was further challenged, leading it to attempt a return to its roots as a support organization while attempting to expand its geographic reach.

The article demonstrates that the REC has been able to adapt to changes in the external environment to maintain the funding and support necessary to ensure its organizational stability. Examining the experience of the REC, institutional theory is more able to explain how the organization has evolved than resource dependence theory. Following institutional theory, it was argued that the stabilization of social and political systems over time increasingly shaped its development. Operating as a support organization between two distinct stakeholder groups (donors and beneficiaries), the REC was able to broaden its own support base and ensure organizational continuity. Faced with challenges to its legitimacy the organization turned increasingly to the needs of its donors, granting them influence over its direction. The case therefore identifies the challenges to non-profit organizations inherent in reliance on external sources of funding. The organization also faced increasing isomorphic pressures derived from changes in funding and the need to justify its performance, which in turn weakened the legitimacy of the organization in the eyes of domestic stakeholders. These developments illustrate the key point represented in institutional theory: while an organization has some freedom to operate, it

remains constrained by the external environment. The findings suggest that the REC is in fact "stuck in the middle"; set up as a support organization it became increasingly dependent on donors, as it has been crowded out by the increased capacity of domestic organizations.

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[i] The REC's (2007a) mission is "to assist in solving environmental problems in Central and Eastern Europe…by promoting cooperation among non-governmental organizations, governments, businesses and other environmental stakeholders, and by supporting the free exchange of information and public participation in environmental decision making."

[ii] In 2007 there were approximately 200 staff in the REC, divided evenly between the head office in Hungary and the country offices (Interview member Office of the Executive Director, Szentendre, May 7, 2007).

[iii] Information derived from REC Annual Reports 1996-2007. Available from: http://www.rec.org/REC/AnnualReports/ [accessed 27 May 2008]

[iv] Country offices were opened in the following order: 1990 – Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Yugoslavia; 1992 – Albania, Estonia, Latvia and Lithuania; 2004 – Turkey.

[v] This shift is captured in changes in organizational expenditure. *Grants and Awards* fell from 24.67% (€1,204,000) of total expenses (€4,880,000) in 1996 to 10.21% (€1,101,000) of total expenses (€1,0779,000) in 2007, although remaining stable in absolute terms. While *Direct Program Expenses* rose from 54.41% (€2,655,000) in 1996, to 73.33% (€7,904,000) in 2007. Data from the REC Annual Reports 1997-2007. Available from: http://www.rec.org/REC/AnnualReports/ [accessed 27 May 2008]

[vi] NewRECs were established in Moldova, Russia and Ukraine in 1998, with a Caucasus REC (Azerbaijan, Georgia and Armenia) and Central Asia REC (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) being established in 2000. The NewRECs replicate the organizational structure of the REC, but operate independently.

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