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## From the Editor

The South East European Journal of Economics and Business (SEEJ) traditionally publishes selected papers presented at the International Conference of the School of Economics and Business (ICES), University of Sarajevo. This special issue brings us three selected papers from this Conference. All three studies are empirical works, and all of them are focused on the regions which are of special interest for the Journal, the regions of Central, Eastern and South-East Europe.

The first paper is by Okičić, J., and is titled "An empirical analysis of stocks returns and volatility: the case of stock markets from Central and Eastern Europe." The paper investigates the relationship between returns and conditional volatility, focusing on stock markets from Central and Eastern Europe. The author aims to contribute to the limited empirical research focused on the volatility of stock returns in less developed stock markets, which is the case for the regions it studies. More specifically, the study includes an investigation of econometric modelling of the conditional mean and volatility of stock returns from Central and Eastern Europe. The obtained results indicate confirmatory evidence that ARIMA and GARCH processes provide parsimonious approximations of mean and volatility dynamics in the case of the selected stock markets. The author also reports that there is overwhelming evidence corroborating the existence of a leverage effect, meaning that negative shocks increase volatility more than positive shocks. The results presented in this paper provide useful information in decision making for those who are planning to invest in stock markets from the regions in focus.

The second paper is by Bezdrob, M. and Šunje, A., and is titled "Management innovation – designing and testing a theoretical model." The authors consider management innovation as the introduction of management processes, structures and practices that are new to companies. The existing literature is used to underpin a new theoretical model of management innovation, with particular reference to immature and underdeveloped markets; this is how markets are often identified in the South East European region. The constructed theoretical model is then tested based on qualitative data gathered through semi-structured interviews, including an empirical econometric analysis of quantitative data collected through a targeted survey of companies in the Federation of Bosnia and Herzegovina (FBiH). The general finding of this study is that the context in which companies operate, as well as companies' management background (proficiency), are directly and positively related to management innovation. The authors conclude that the existing management innovation theory is applicable to market conditions in FBiH with only slight adaptation. Furthermore, this research provides useful insights on the factors that affect the companies' readiness to introduce innovative management structures, processes and practices.

The third paper is by Zaimović, A. and Arnaut-Berilo, A., and is titled "Risk diversification between stock markets in Germany and Bosnia and Herzegovina." The paper provides up-to-date research focused on the co-movements of stock markets in Germany and Bosnia and Herzegovina (BiH). The period in focus is

2006-2011, hence covering the timing before, during and after the last economic and financial downturn. The authors test whether there are any risk diversification possibilities by spreading out investments between the two equity markets in focus. The empirical part of the paper relies on the method of convex (quadratic and linear) programming aiming to determine the mean-variance efficiency of portfolios based on the Markowitz portfolio optimization method. The authors find that the recent crisis affected BiH's stock market much more strongly in comparison to the German market. Moreover, the authors report that the German market during the crisis period performed much better. Zaimović and Arnaut-Berilo argue that the lack of diversification during the downturn is less due to high integration between the analyzed markets than the underperformance of the BiH equity market.

In the end, I would like to thank the journal's Editorial Board and referees, who helped us to select and improve the papers, and who supported the continuity of publishing high-quality research from ICES conference.

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