

## EDITORIAL


The *South East European Journal of Economics and Business*, Volume 21, Issue 1, brings together a set of research papers addressing a diverse range of contemporary economic and business challenges across South East Europe and beyond. The contributions cover topics including leadership and performance in non-profit organizations, SME insolvency and growth dynamics, household financial vulnerability, excessive borrowing and quality of life, top management team heterogeneity and environmental sustainability in the context of macroeconomic policy. Using a variety of empirical approaches, the papers provide both theoretical insights and policy-relevant evidence for understanding economic behavior, resilience and structural transformation.

The first paper, by Dadić Fruk, Maškarin Ribarić and Licul, examines the role of leadership styles in shaping employee motivation, creativity, and performance in non-profit organizations (NPO). Based on primary survey data from Croatian NPO employees and using PLS-SEM analysis, the study finds that transformational and transactional leadership positively influence both motivation and creativity, which in turn enhance organizational performance. In contrast, autocratic and laissez-faire leadership styles are associated with non-significant or negative outcomes. The findings highlight the importance of leadership development and structured human resource practices in improving performance within resource-constrained non-profit environments.

Focusing on firm dynamics, the second paper by Šarlija and Benšić investigates the relationship between sales growth and insolvency among small and medium enterprises. Using logistic regression with interaction effects, the study demonstrates that while sales growth generally reduces insolvency risk, its effect depends critically on the firm's leverage. Firms with balanced growth supported by adequate capital exhibit the lowest risk, whereas declining sales significantly increase insolvency probability even when other financial indicators are stable. These results underline the importance of sustainable growth strategies for SME resilience.

At the household level, Vuković and Petohlep explore the phenomenon of excessive borrowing and its implications for quality of life in Croatia. Using survey data from individuals experiencing financial distress, the study finds that over-indebtedness significantly reduces financial stability, social inclusion and overall well-being. The results emphasize the need for balanced credit use and proactive financial behavior, suggesting that sustainable debt management is important to achieving long-term economic well-being.

Complementing this perspective, Dushku examines financial fragility among Albanian households, focusing on their ability to withstand unexpected expenses. Using data from the Household Wealth Survey and multinomial regression analysis, the study finds that a majority of households lack



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sufficient liquidity, with financial fragility closely linked to education levels, access to formal financial services and reliance on family support networks. The findings point to the critical role of financial inclusion and social capital in enhancing household resilience.

From a corporate governance perspective, Kokot, Tipurić and Klačmer Čalopa analyse the impact of top management team (TMT) heterogeneity on firm performance in Croatia. Using panel data for large companies over the period 2015-2020, the study finds that gender and cultural diversity within TMTs positively affect return on assets, highlighting the value of diversity in strategic decision-making and organizational outcomes.

Finally, Akın investigates the relationship between external debt and environmental sustainability in Türkiye over the period 1970-2023 within the framework of the Environmental Kuznets Curve hypothesis. Using advanced time-series techniques, among other results, the study finds that external debt can contribute to reducing carbon emissions as well as it does renewable energy consumption. The results underscore the importance of sustainable debt management and energy transition policies in achieving environmental objectives.

The contributions in this issue provide valuable empirical evidence on key economic challenges, ranging from micro-level behavioral dynamics to macroeconomic policy and sustainability. By addressing diverse yet interconnected topics, the papers contribute to a deeper understanding of economic development, resilience and policy design in a rapidly changing global environment.

On behalf of Editorial Board  
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