

# Impact

## AZERBAIJAN



# Latest Trends in Digital Transformation

- ★ Reducing the Health Impact of Our Business Through Innovative Science
- ★ Formula For Success - the Strategy and the People on the Ground
- ★ Digital Trends in the Real Estate Industry



# Impact

AZERBAIJAN

## Issue 41

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## A Word From Executive Director of AmCham



Dear members,

Welcome to the 41<sup>st</sup> edition of IMPACT Azerbaijan magazine dedicated to Trends in Digital Transformation. This edition of IMPACT Azerbaijan Magazine represents perspective plans and contributions of AmCham members in the field of business in digital age. In addition to its current roles as critical energy and logistic hubs in Euro-Asian economic linkages, Azerbaijan is dedicated to pursuing steady strategic plans in order to become a regional digital hub. According to the balanced foreign policy that Azerbaijan is monitoring, some nations and power centers appear to support the country's ambitions. In addition, supporting digitalization reforms in Azerbaijan aims to enhance the overall digital ecosystem, promote economic prosperity, and aspirationally become a regional digital hub. Furthermore, entirely new strategic approach on the liberated lands is being implemented, and the management architecture in these areas will be wholly built around the ideas of "smart city" and "smart village». Trans-regional digital megaprojects in addition to internal digitalization changes are also being executed. One of these initiatives is the "Digital Silk Road" project, which has been in place since 2018 and is ranked among the top five infrastructure initiatives in Asia. Being one of the largest business associations in the country directly involved in the improvement of economic environment in the country, AmCham Azerbaijan is undertaking a significant initiative to update and expand its network throughout the nation in order to fulfill the rapidly expanding requirements. In attempt to support the governmental contributions, AmCham Digital Technology and Innovations committee in turn generates action plans, lists objectives, and creates relevant agenda. The Chamber is dedicated to remaining a public-private bridge and assisting the government in the implementation of new projects and activities in this field.

We firmly believe that the collaborative power of all resources and stakeholders focused on improving digitalization will provide opportunities for the development of stronger socio-economic, transport, and communication connections with greater regional connectivity as well as the growth of trade partnerships.

Best regards,

**Gulnara Aslanbayli**

## Editor's Comment

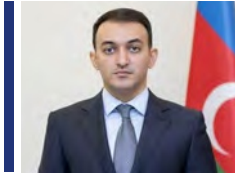


Dear friends, members of AmCham Azerbaijan,

It is my utmost pleasure to welcome you on 41<sup>st</sup> edition of IMPACT magazine. It is devoted to one of the excited subjects of the modern day – "Latest Trends in Digital Transformation". Obviously, the scope of the subject matter carries a wide angle to navigate. Within this edition we are touching to views from the public and private sector representatives. It is our pleasure to host special interview from the Chairman of the State Agency for Public Service and Social Innovations. You will be able to understand contribution of the state agency from a leading national brand to the global best practice which is sharing its experience with dozens of countries. Furthermore, experts from the private sector elaborated trends in digital transformation from various aspects; put an emphasis on specific fields (energy, real estate) and different functional areas. Reading these best practices, you will be able to observe commitment of AmCham member companies on global trends and innovations in Azerbaijan. Using this opportunity, I would like to appreciate for your advertisers – GL International, Equinor Azerbaijan and British American Tobacco Representative Office. Enjoy reading the magazine.

Sincerely,  
**Aykhan**

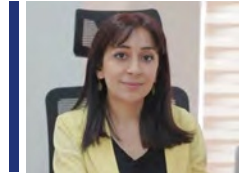
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# What Do the Modern-day Trends in Digital Transformation Look Like?



**Jeyhun Hajiyev**  
Consultant, Sustainera Consulting

Being one of the fields with the fastest growth in the world, information technology has a constant and powerful influence on both enterprises and communities. Emerging technologies disrupt established markets, create new ones, and accelerate digital transformation in the public and private sectors encouraging investing more money in technological initiatives. Without a doubt, a digital transformation with a strong focus on investments in the integration of technology and tighter regulations for cybersecurity, data privacy, and protection are projected to be the major trend from 2022 onward, especially in the post-COVID period.

Another important observation is that the cost of technology has significantly dropped in recent years, making the low carbon transition possible. This includes batteries and renewable electricity production technologies like solar panels and wind turbines, which are both practical and economically viable alternatives to conventional fossil fuel driven technology. This leads to the conclusion that digital change also propels sustainable development practices, such as the ESG-related shift to environmental domains spurred by COP26. Emerging technologies, ranging from Artificial Intelligence to 5G, are thought to be promising to help the world achieve its net zero aspirations, as ITU (International Telecommunication Union) Deputy Secretary-General M. Johnson underlined.<sup>1</sup> Between 2005 and 2022, foreign investments in new technologies related to solar and wind power have accounted for 37.5% and 35% respectively.<sup>2</sup>

While the COVID-19 pandemic accelerated digital change in some sectors, it hindered it in others as companies focused on cutting costs. As the economy returns to normal, more money is expected to be invested in technology.

Modern technology's decreasing cost continuously transforms business and society. At the same time, technological growth is being greatly accelerated by the synergistic effects of numerous technologies, including mobile, cloud, AI, sensors, and analytics.<sup>3</sup>

1. <https://www.itu.int/hub/2021/11/cop26-stepping-up-digital-collaboration-to-reach-net-zero/>  
 2. <https://www.fdiintelligence.com/special-report/the-switch-report-2022-80973>  
 3. <https://reports.weforum.org/digital-transformation/wp-content/blogs.dir/94/mp/files/pages/files/wef-digital-transformation-2016-exec-summary.pdf>

**The fact that digital transformation no longer generates billions of dollars for Fortune 500 companies is one of the biggest opportunities. Instead, it provides exceptional chances for today's digital start-ups**



A nation's ability to address the challenges and opportunities of digital transformation has a significant impact on how it develops economically in the future. This is also true for Azerbaijan. It is essential to create new economic growth dynamics and to enter new markets. Today, implementing and making use of digital technology is essential for ensuring economic growth, especially during economic crises like the COVID-19 when it is crucial to connect people and businesses. The degree to which people and businesses have affordable access to high-speed internet and the degree to which digital solutions based on network security and data privacy are implemented must all be thoroughly examined in order to establish the prerequisites for the integration into the digital society.

Despite the negative influence of COVID-19 pandemic on the world, according to ITU data from 2021, the number of internet users worldwide increased by almost 7% to 4.9 billion.<sup>4</sup>

**Around 2.9 billion people still live offline, and over 90% of them are in developing countries.**

## Potential barriers to transformation



4. Measuring digital development - Facts and figures 2021 (itu.int)

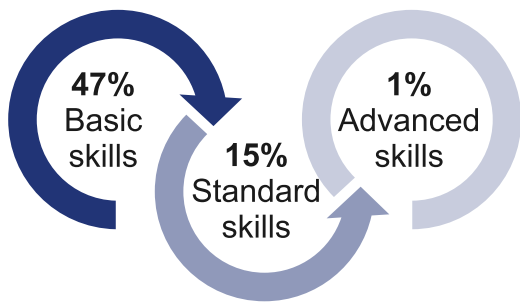
As evidenced from the barriers to digitalization, countries and businesses must first make an effort to comprehend possible effects of digital activities on society, spanning from economic growth to employment, sustainability, and beyond. As a result, businesses, industry key players, and government decision-makers must respond to a number of questions:

- How can businesses create value for both the economy and society, considering the social effects digitalization will bring?
- Do the companies' executive and supervisory boards have high levels of literacy to oversee business operations driven by digital trends?
- Do businesses benefit from digital trends when determining their company strategies?
- Are the companies enthusiastic about updating their talent strategies to reflect more innovative and sophisticated digital skills and abilities?

Do the governments support data security and privacy, with an emphasis on international data flows?

Are governments in favor of flexible policy frameworks that encourage innovation for the good of society?

The UN Broadband Commission has set specific goals for sustainable development by 2025. The usage of digital financial services and putting firms online stand out among these goals as being of particular interest. 40% of the world's population must be able to use digital financial services by 2025. Access to e-finance, bank accounts, and other services are among them. MSMEs (micro, small, and medium-sized firms) must also cut disconnectedness across sectors by 50%. According to the ITU's 2020 Digital Development Dashboard, only 1% of Azerbaijan's population have advanced ICT skills, while 15% have standard skills and 47% have basic skills.



Significant skill gaps exist for digital jobs currently and are predicted to grow in the future. Robots lack the creativity and empathy necessary for many occupations in the labor market, despite the emphasis on STEM (Science, Technology, Engineering and Math) skills. For instance, one million unfilled positions in digital security have been found worldwide, according to Cisco. In a similar manner, Brazil experiences a shortage of 360,000 engineers and technical professionals.

Blockchain is one of the newest technologies. It is frequently used in banking and finance, specifically in creation of

cryptocurrencies and money transactions.<sup>5</sup> In the year from 2020 to 2021, the percentage of job ads for cryptocurrency and blockchain positions increased by 118 percent on Indeed, a global job listing website. Although technical positions are the most common in the crypto industry, careers in support fields like accounting and human resources are becoming more common.<sup>6</sup>

### Growing demand for jobs



- Digital transformation specialist
- Big data specialist
- AI & machine learning specialist
- IoT specialist
- Process Automation specialist
- Data analyst & scientist
- Software & applications specialist

### Falling demand for jobs



- Accounting & auditing
- Business services & administrative
- Data entry
- Operational management
- Machinery & mechanics
- Customer service worker
- Factory & assembly worker

In terms of value at stake, the WEF's (World Economic Forum) estimate of the effects of digital transformation by 2025 reveals that society is more affected than industry. It is estimated that by 2025, a digital transformation in the automotive sector could create 5 times more value at stake for society, which is 1.1 times in consumer industries, 1.3 times in electricity, and 1.6 times in logistics sectors. This is based on an analysis of four economic sectors: automotive, consumer industry, electricity and logistics.

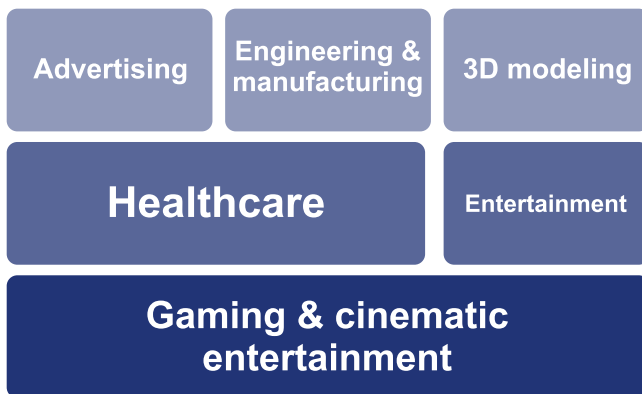
VR (Virtual Reality) and AR (Augmented Reality) are two further emerging technology applications that aid in a nation's digital transformation. AR and VR devices are particularly regarded as assistive technologies from which disabled persons can benefit. Germany, France, and the UK are leaders in the funding and application of research regarding these technologies. According to estimates, the production value of these technologies are estimated to increase up to 34 billion euro across Europe, while also creating 480,000 new jobs.<sup>7</sup>

A reliable infrastructure is necessary for emerging technologies that drive digital transformation. Although 4G is widely available and ready for adoption right now, 5G technology allows for scalability and will accelerate the pace of digital

5. <https://www.fool.com/investing/stock-market/market-sectors/financials/blockchain-stocks/blockchain-applications/>  
 6. <https://cryptocurrencyjobs.co/blog/state-of-the-blockchain-and-cryptocurrency-job-market-2019/>  
 7. <https://xra.org/europe-on-track-to-become-global-vr-leader/>



transformation even further. 5G is both an evolution and a revolution in mobile technology. 5G utilizes radio spectrum, or the radio waves used to transport bits of data, more effectively than 4G in the same spectrum, leading to quicker network speeds. Higher connection density and sophisticated security features built into 5G's design are essential for some IoT (Internet of Things) services.<sup>8</sup>



***The development of emerging technologies is powered by resilience, maturity and availability of digital infrastructure.***

While software, IT+business services, emerging technologies, hardware and infrastructure, and telecom services have shaped the global ICT market in 2021, only telecom services and IT+business services have done so in Azerbaijan. Growing data volume from emerging technologies makes 5G network and Internet speed more crucial.

A recent trend in digital transformation of countries is the adoption of strategies linked with emerging technologies, such as:

- AI Strategy in Germany;
- New Robot Strategy in Japan;
- National IoT Strategic Roadmap in Malaysia;

8. <https://social-innovation.hitachi/en-us/think-ahead/transportation/to-5g-or-not-to-5g/>

The CIS (Commonwealth of Independent States) nations fall behind other nations in their adoption of digital development strategies. Through direct capital and labor investments, 5G deployment is anticipated to increase the US GDP by US\$ 400 billion to US\$ 500 billion and add 800,000 to 1 million jobs by 2030.

Considering that the majority of people on the planet will eventually become entirely digital, digital capabilities in the public and private sectors are crucial for the success of the digital transformation since they can provide citizens with better products and services. If you think of digital transformation as a cycle with the public and commercial sectors as its two main parts, then the third part is the citizens' digital competencies. Citizens must develop a variety of digital skills in order to receive digitally improved products and services. It can be accomplished either by improving the educational system or by making investments in policy and human resources.

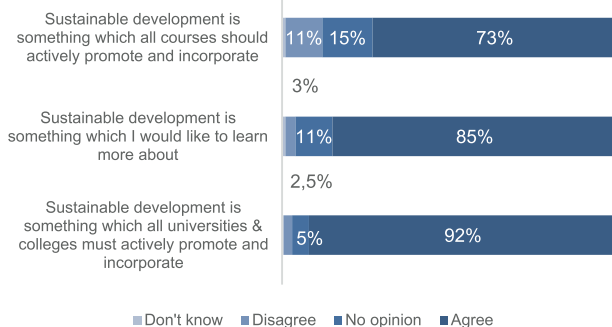
## What we can learn from digital transformation?

Customers increasingly anticipate degrees of customization, on-demand availability, and accessibility, which necessitates fierce competition among worldwide firms in order to gain what is known as a digital customer. Special emphasis must be placed on products and services enabled by digital technologies that provide clients with a one-of-a-kind experience. One of the most important issues that must be considered is sustainability. People around the world become more familiar with sustainability issues due to environmental risks and occurrences, while at the same time interested in





learning more about them.<sup>9</sup> Therefore, digital technologies needs to have sustainability features.



Customers are increasingly demanding personalized, relevant interactions that are suited to their unique requirements. Firms are satisfying these expectations because of digital technology, which enables them to give personalized services to large numbers of clients at a cheap cost.

Ownership to access is another factor that digital transformation can contribute to. Customers are drawn in by the ease of on-demand access, the chance of financial savings, and the ability to enhance their life quality. Firms that have historically used ownership arrangements are assessing ways to meet new access demands. With its own sharing program, BMW is an exemplar responding to the collaborative economy. It provides consumers with on-demand usage to BMW electric vehicles, based on the “pick up anywhere, drop off anywhere” premise. Customers are charged by the minute, including gasoline, insurance, and parking fees in public lots.

Firms need to radically alter their approach to identifying, developing, and launching new business initiatives, so-called digital business operation models. Michelin, for example, is a tire maker. It has used IoT to transition from selling tires to selling results, a performance guarantee supported by a money-back guarantee.

Digital transformation has also begun to have far-reaching societal consequences. Industry digitalization has the potential to provide societal advantages that surpass the value received by industry. Businesses attempting to provide societal value, on the other hand, face enormous challenges that can only be overcome by collaboration with other regulators and legislators, as well as other firms. Furthermore, digital entrepreneurship skills, which are a blend of business and technology abilities, allow individuals to comprehend how digital technologies may give new company opportunities, new business models, or new ways of running existing enterprises.

The ICT (Information Communication Technologies) acts as a catalyst for the growth of other areas of the economy.

9. [https://sos.earth/wp-content/uploads/2021/02/SOS-International-Sustainability-in-Education-International-Survey-Report\\_FINAL.pdf](https://sos.earth/wp-content/uploads/2021/02/SOS-International-Sustainability-in-Education-International-Survey-Report_FINAL.pdf)

The digital ecosystem presents prospects for creativity and new business models, which may help the national economy become more dynamic in responding to changes. The ICT should be used to enhance firm's competitive advantage by optimizing processes, connecting previously unexplored organizational silos, and creating a new system that integrates humans, enterprises, and things, shifting from the traditional value chain.<sup>10</sup>

10. <https://www2.deloitte.com/content/dam/Deloitte/br/Documents/technology-media-telecommunications/ICT-insights-report-eng.pdf>



**Author's biography:**

**Mr. Jeyhun Hajiyev** is a consultant at Sustainera Consulting. Jeyhun is a professional, specialized in technology for sustainable development. He worked as a sustainability consultant at EY Azerbaijan, and was successfully involved in ESG reporting and advisory engagements in different sectors of economy. In addition, he worked as a research fellow at Chang Gung University in Taiwan. His areas of expertise are academic and market research, data analytics, and consultancy related to ICT, digital transformation and sustainability practices. Mr. Hajiyev has graduated from Chang Gung University (Taiwan) with Ph.D. degree in Operations Management; and Yuan Ze University (Taiwan) with MBA degree in Information Management. Since 2017, he has published academic research papers in the SCI and SSCI indexed journals, such as *Computers & Education*, *Health Policy and Technology*, and *IEEE Access*.