

THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN STATE UNIVERSITY OF ECONOMICS

INTERNATIONAL CENTER OF GRADUATE EDUCATION

MASTER DISSERTATION

on the topic

**“THE CREATION OF THE FUTURE FOR INDUSTRIAL DISTRICTS
BASED ON THE INDICATORS OF EAST ZANGEZUR REGIONAL
ENTREPRENEURIAL OPPORTUNITIES”**

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BAKU – 2022

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Elm andı

Mən, İsmayılova Aytən İsmayıl qızı, and içirəm ki, “The creation of the future for industrial districts based on the indicators of East Zangezur regional entrepreneurial opportunities” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

ŞƏRQİ ZƏNGƏZUR REGIONAL SAHİBKARLIQ İMKANLARININ GÖSTƏRİCİLƏRİ ƏSASINDA SƏNAYE RAYONLARI ÜÇÜN GƏLƏCƏYİN YARADILMASI

XÜLASƏ

Tədqiqatın aktualığı: Sahibkarlığın iqtisadi və sosial həyatın inkişafında rolu, ölkəmizi özəl sektorun iştirakı ilə rəqabətli bazarlara keçidə vadar edir. Azad edilmiş regionların inkişafı da daxil olmaqla, yeni bazar iştirakçıları və yeni investisiyalar cəlbi, yaxşı təhlil edilmiş inkişaf planına əsaslanır. Mövcud vəziyyət üçün bu tip araşdırmalar yaxşı başlanğıc ola bilər.

Tədqiqatın məqsədi: Uzunmüddətli işğal nəticəsində ortaya çıxan siyasi və iqtisadi amilləri də əlavə etsək, region üçün inkişaf istiqamətlərinin müəyyənləşdirilməsi kifayət qədər ciddi məsələdir. Mövzunun tədqiqatı üçün ən uğurlu addım “haradan başlamaq lazımdır?” sualına cavab tapmaq, müharibə sonrası inkişafa uyğun sənaye sahələrini müəyyənləşdirərək sahibkarlığın gələcək perspektivlərini araşdırmaqdır.

İstifadə olunmuş tədqiqat metodları: Tədqiqat həm nəzəri, həm də eksperimental məlumatlardan istifadə etməklə aparılmış, yazı prosesində statistik, tematik, məzmun və digər təhlillər əlavə edilmişdir.

Tədqiqatın informasiya bazası: Ölkənin müstəqillik dövrünə uyğun olaraq daha çox 1991-2021-ci illər arasında dərc edilmiş elmi ədəbiyyata üstünlük verilmişdir. İlk məlumat toplama metodu vasitəsilə regionun keçmiş iqtisadi təcrübələri təhlil edilmişdir.

Tədqiqatın məhdudiyyətləri: Regionun iqtisadi vəziyyəti barədə dəqiq informasiya resurslarının və 30 illik geriləmə dövründə hər hansı müsbət inkişaf əlamətinin olmaması.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: İdxalı və xarici asılılığı azaltmaq məqsədilə tələbat məhsullarının istehsalı, eyni zamanda müharibənin ekologiyaya vurduğu zərəri nəzərə alaraq ekoloji təmiz sahələrə üstünlük verilməsi.

Nəticələrin istifadə olunma biləcəyi sahələr: İqtisadi sahədə məşğulluğun nəzərə alınması, potensial uğurlu, lakin uyğun əmək qabiliyyətli əhalinin olmadığı sahələrin də inkişaf etdirilməsi üçün yerli sahibkarlığın öyrədilməsi məqsədilə yeni universitet açılması.

Açar sözlər: Şərqi Zəngəzur, sahibkarlıq fəaliyyəti, regional inkişaf, potensial sahələr.

THE CREATION OF THE FUTURE FOR INDUSTRIAL DISTRICTS BASED ON THE INDICATORS OF EAST ZANGEZUR REGIONAL ENTREPRENEURIAL OPPORTUNITIES

SUMMARY

The actuality of the subject: The role of entrepreneurship in the development of economic and social life forces our country to move to competitive markets with the participation of the private sector. Attracting new investments for liberated regions based on a well-analyzed development plan can be a perfect start.

Purpose and tasks of the research: Political and economic factors because of the long-term occupation make difficult to find right direction. The success of the research is to find an answer to the question "Where to start?"

Used research methods: The research conducted using both theoretical and experimental data. Writing process also included statistical, thematic, content, and other analyzes.

The information base of the research: According to the period of independence, scientific literature published between 1991 and 2021 was preferred. The region's economic experiences, government and other scientific publications were widely used.

Restrictions of research: The economic situation, lack of sufficiently accurate information resources, and any positive signs of development in the 30-year recession period.

The novelty and practical results of investigation: The production of consumer goods in order to reduce import and foreign dependence, as well as the preference for environmentally friendly areas.

Scientific-practical significance of results: New university to teach local entrepreneurship and green economy to develop areas that are potentially successful but do not have a suitable labor.

Keywords: entrepreneurial opportunity, regional development, opportunity identification, post-war development

ABBREVIATIONS

EDP	Entrepreneurial Discovery Process
EE	Entrepreneurial Ecosystems
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
IDP	Internally Displaced Person
SME	Small and Medium Enterprise
SOCAR	The State Oil Company of Azerbaijan Republic
SRM	Strategic Road Map
SSP	State Support Program
SWOT	Strengths, Weaknesses, Opportunities, Threats
TEA	Total early-phased Entrepreneurial Activity
USA	United States of America

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INTRODUCTION

Relevance of the research topic: Modern Azerbaijan has faced many challenges since independence, one particular, was dealing with two big wars with the separatist forces of Nagorno-Karabakh. Today, entrepreneurialism has a significant role development of both economic and social life. It makes our country to consider transition to competitive markets with stronger private sector participation. This would attract new market entrants and new investments, and developing liberated regions. However, firstly well-analyzed development plan is necessary. For the current state of liberated regions, this kind of researching can be a good start.

Statement of the problem and learning level: future planning for a region has never been a simple process. If we add political and economic factors because of long-term occupation, this can be quite unpredictable. For our research, the best action would be finding out the main issue which was the question “where to start?” so we conducted as many as possible information about regional entrepreneurship, post-war development examples and methods to identify opportunities and potential high-productivity-based industrial areas.

Purposes and objectives of the research: The main goal of this research consists on analyzing the future perspective of entrepreneurship and its influences on regional development. It aims to develop knowledge about condition of the industrial districts of East Zangezur economic region, and explore the main aspects of entrepreneurial opportunities of the region. The dissertation is mostly theoretical and conceptual, and analyze previous studies that have estimated the relationship between country development and entrepreneurship.

Object and subject of the research: Different approaches to the regional entrepreneurship make clear that its stage of development continues. As the subject of the research, potential entrepreneurs and investors have many responsibilities to both identify and develop opportunities in the region. Government’s part here is also obviously necessary. If we look at the ideas and definitions put forward for an

enterprise, or similar definitions in countries where it has very deep roots, it is important to note that the essence of an entrepreneurial action is to support not only the private sector but also governmental needs.

Research methods: Considering current digitalization of the world related to pandemic, online channels are a better way to collect data secondary data and make interviews, experiments and questionnaires. Using primary data collecting method will help to test cause and effect relationship related past economic experiences of the region or quantitative data would help through experiments and observations. Government surveys and scientific publications will also help to determine the main problems under topic. The research conducted using both theoretical and experimental data. Interviews with local people of given regions were also conducted by the author. Writing process also included statistical, thematic, content, and other analyzes.

Research database: The analysis of the research was conducted based on scientific literature published mostly between 1991 and 2021 according to the period of independence of the country. It was very important to take this period to carry out purposeful research work in this direction. It is especially critical from the scientific and practical point of view to determine the growth of Azerbaijan's economy, to determine its interpretation from the point of view of modern times. Therefore, the author has also investigated the main aspects of opportunities of the country that related to entrepreneurial activity for better understanding of those challenges.

Research limitations: Main objective here is not having enough information resources about the economic state of the region or because, there is not any sign of development. 30 years of lagging makes all difficult to rise to modern standards. The limits of this research consist mainly in the restricted access to specific databases and implicitly the incapacity to choose from a more diverse list of articles.

Scientific novelty of the research: The imported products, which can be produced mostly in the region was identified. Successful areas selected. The author supported the choice of light and environmentally friendly areas rather than heavy

industry. As the main issue, the gradual revival of the region, the importance of adaptation and steps to heal nature was analyzed.

Scientific and practical significance of the results: In the research, why the investment should be directed to the ecological environment, and in the economic sphere, why the support should be given to the development of jobs that are in line with the population's ability to take into account employment were discussed. As a recommendation, opening a university that teaches local entrepreneurship to accelerate the development of areas that are potentially successful but do not have suitable labor, can be regarded.

CHAPTER I. IDENTIFICATION OF THE REGIONAL ENTREPRENEURIAL OPPORTUNITIES

1.1. Business and regional entrepreneurship in Azerbaijan context

Business is an English word; in our case, it means "work". Business is a type of entrepreneurial activity in trade and other fields for earning income. The word "businessman" is also an English word in the Azerbaijani language; it means an entrepreneur engaged in private trade, or a business owner. The goal of all entrepreneurs operating in the production, sale, provision of services, and other areas are mainly to make a profit. In this sense, all entrepreneurs called as businesspersons.

However, entrepreneurship is different from business. Jean-Baptiste Say invented the term entrepreneur which origins as a French word "entrepreneur", that normally means undertaker or investigator. After he said: "The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield." The first references and explanations of entrepreneurship date back to the 18th century, when numerous South European economists characterized it as a business activity with an undetermined profit or conclusion. Entrepreneurs create large-scale production, service, and commercial enterprises. Businesspersons create and manage small and medium-sized enterprises. The first step in creating an efficient economic system based on market principles is to ensure entrepreneurial activity and freedom of economic behavior that is beneficial to society. Giving a wide field to free enterprise, active to every citizen.

Creating conditions for the show is one of the necessary conditions for the development of society in modern times. Entrepreneurship is an independent entrepreneurial activity aimed at making a profit for individuals, their associations, as well as legal entities. Entrepreneurial activities and actions are seen as essential drivers in achieving greater solidarity among countries and regions, as well as main promoters of socio-economic progress.

Every able-bodied citizen of the country, legal entities, regardless of the form of ownership, every foreign citizen and stateless person, foreign legal entities can be an entrepreneur or a subject of entrepreneurship. There are many ethical traditions of cultural entrepreneurship, for example, integrity, cleanliness in business relationships; mutual reliability with a partner takes a special place.

Types of entrepreneurship. With the industrialization, the events of the early twentieth century, and the two World Wars, entrepreneurship took on many forms and organizations. They formed two main types of entrepreneurship: individual entrepreneurship and collective entrepreneurship. In all cases, entrepreneurial activity is characterized by initiative, the desire to make a profit, to take risks and to "check yourself".

Production, commercial and financial types of entrepreneurial activity are distinguished according to the field of activity. In practice, these types of deafness complement each other. Entrepreneurs are subject to taxes and other mandatory income free use of the rest of it after making payments they do. In this case, they use the funds for entrepreneurial activities. In addition to niche, charitable, educational purposes, as well as necessary assistance to the state during the war and other emergencies can be used for demonstration purposes.

Entrepreneurs must also fulfill their obligations under applicable law and the contract they enter into. First, they must pay their employees at the level determined by the legislation of the country; comply with the necessary conditions such as environmental safety, industrial hygiene, and sanitation, safety, protection of architectural and historical monuments.

In modern conditions, the development of a free enterprise is of economic, social, and political significance. Therefore, the state creates favorable conditions for the development of entrepreneurship, provides comprehensive assistance in this work, and then reviewed the system of incentives. First, authorities eliminated unnecessary

restrictions in the field of business expansion, then ensured the rapid development of entrepreneurship.

The economic and financial crisis from 2008 (The Great Recession refers to the economic downturn from 2007 to 2009 after the bursting of the U.S. housing bubble and the global financial crisis.) and its impact on new businesses in the economy, as well as the growth potential produced by entrepreneurial activities, were once again discussed. In terms of the role of small and medium firms in local economies, entrepreneurship awareness, or the benefits provided by local businesses to the population, production, and markets, there are still substantial differences between countries and regions.

State care for entrepreneurship. The measures taken since 1995 have played an important role in the development of entrepreneurship. Entrepreneurship is developed Haji Zeynalabdin Taghiyev, the formation of the business environment and competition mechanism that provides it, as well as issues related to the provision of state support to entrepreneurship, are reflected in the Constitution of the Republic of Azerbaijan.

The State Support Program for Small and Medium Enterprises for 1997-2000, approved by the President of the Republic of Azerbaijan, has given a strong impetus to the development of entrepreneurship in our country. Institutions such as the National Fund for Entrepreneurship Support and the Small and Medium Enterprise Development Agency have established to implement this policy.

The Council of Entrepreneurs established on August 27, 2003, under the President of the Republic aims to increase the state's care for the development of entrepreneurship in the country, to periodically analyze the existing problems, and ensure that measures are taken. The effective policy in this area causes national capitalism has in the country.

Many aspiring entrepreneurs today decry the challenging environment, a lack of entrepreneurial awareness, difficult access to capital, loans, and markets, as well as bureaucratic and administrative regulations. In regional development, the term "region," and the various interpretations of the term "development" are difficult to

convey in a few words. The vast majority of scholars agree that development must be measured using both qualitative and quantitative criteria. Best explanation we found online is that:

“Development is a process that creates growth, progress, positive change or the addition of physical, economic, environmental, social and demographic components. The purpose of development is a rise in the level and quality of life of the population, and the creation or expansion of local regional income and employment opportunities, without damaging the resources of the environment. Development is visible and useful, not necessarily immediately, and includes an aspect of quality change and the creation of conditions for a continuation of that change.”

(For more on this subject, see Sid Israel - Society for international development, 17 February 2021, <https://sid-israel.org/en/what-is-development/>)

By examining specific local circumstances, that attracts entrepreneurs or organizations, we can say that entrepreneurship in regional development is a well-established concept. The importance of entrepreneurial culture, which is defined as a setting that encourages people to take chances and innovate, is also discussed. Regional development is a complex concept because it requires defining first the region and seconding the meanings of development. In Azerbaijan, regional development as a concept, but also as a discipline developed particularly after II Karabakh War and especially with the re-division of economic regions (Decree of the President of the Republic of Azerbaijan on new division of economic regions in the Republic of Azerbaijan. Baku, July 7, 2021). This new division inspires new opportunities for all regions of the country, as well as faster integration of newly liberated ones. One of the main goals of the country is to increase and maintain a higher economic level in all regions and to decrease as much as possible the disparities between different parts of the country. Only with this mission, we can bring more comfortable living standards for every citizen in the country and make the average indicator for living conditions higher than ever.

1.2. The role of entrepreneurship in regional development

The term of region has several understandings in the research literature as well as in political debate. A region may be a subnational territory (part of a country), a supranational territory (one group of neighbor regions or countries) or transnational (one territory that is included in many countries) (Maier, 2006). Practically, national policies are usually focused on subnational regions, which share the same authorities and allow unrestricted movement of products, services, and people. Definition of a region is in line with the objectives and goals of the state or even other political and economic players, but it may or may not relate to the needs of the local population. That is why Maier recommend for a region to fulfill two conditions:

- Homogeneity criteria – the territories within a region should have similar key performance indicators (e.g., unemployment rate, income level, occupations in same economic sectors etc.)
- Functionality criteria – the territories grouped within a region are interconnected and interdependent; for instance, the local population is mobile between a bigger city and satellite smaller towns, commercial areas attract customers from a certain distance etc.

The conception of development raises many problems. It is an outstanding term defined by the performance or the success of organizations, regions or countries. It refers to minimizing or removing social and economic weaknesses, or lack of stability. Seeing terms of economic progress and regional development together is more complicated than it appears. If the statistics of a country or a region indicates economic growth, we can say it is developed, but, at the same time, it might have some losses or shortages. Seers (1989) supports that development starts with elements like food, work, social equity, and considers that a development policy has to combat hunger, unemployment and inequalities. From this approach, we can say that, regional development is a complex term and endeavors to decrease disparities by supporting regional economic activities. Beginning in the 1990s, there has been a surge in interest

in entrepreneurial activities related to regional progress, with large numbers of local entrepreneurs in the regions. Today, relying on "big industry" cannot be sustainable for the entire population. As a result, many countries have begun to support entrepreneurship and expand opportunities for entrepreneurs as an option in contrast careers. These countries also engage in financial programs that encourage local initiative in order to ensure that regional businesses have easy access to all of the resources they need to grow. According to these definitions, many researchers concentrate on the primary relationships in both entrepreneurship and regional development.

The following questions arise as a result:

- Is it enough to support local businesses in order to improve a region's wealth?
- Will there be enough evidence to say that entrepreneurship ensures regional integration?

Before identifying potentials for local economies, it is critical to investigate the economic effects of entrepreneurship. Each organization enters marketplaces as a start-up project or as an established enterprise in another industry. During the market selection process, an organization grows and expands its activities, or it changes its key action or reduce economic processes. When a new enterprise enters a market, it tends to bring new and expanded capacities, and has a significant impact on the economy based on new job creation and market share gained. Through intense competition or innovation pressure, there is an indirect effect on the established organization. Despite the fact that the first goal of an enterprise is market survival, this assumes that while old companies with that almost the same capacity will continue to stay on the market, those organizations with lower power will face market withdrawal. Another aspect of a new market entrant is their impact on the workforce and its availability. Job creation can sometimes have a negative impact on markets: There are areas where there is a shortage of human resources, which may have an impact on implements and cost a lot of money for existing organizations. Local conditions influence the development of

entrepreneurship in a specific region or market, beginning with government rules and commercial laws and progressing to the taxation system, liability rules, labor force legislation, entry strategy requirements, intellectual property rights, and so on. One intriguing approach has been Alfred Marshall (1920) who, after observing the economic space around London in 1890 concluded that organizations were connected and beneficiaries of three factors:

- labor force pool
- specialized suppliers
- an easy access to knowledge and information.

His observation was correct, these factors contributed indeed to the development of industrial zones and represent key elements of the monetary development. In today's economy, we call these location conditions specific to a region or nation. They are very important because the enterprise/organization uses them in different ways and forms, such as transportation facilities, materials, labor force, urbanization level, energy, community infrastructure, capital, fields, buildings, environment and regional policy.

These conditions are complex, tangible (e.g., costs, taxes) or intangible (e.g., trust frequency, quality and accessibility) (Hayter, 1997). The cities have more and diverse labor force markets, while in the territories with smaller population it is sometimes difficult to find the necessary personnel is well known. In this situation the urban-rural differences determine the price of labor force, the tendency to entrepreneurship (one person with an average wage does not necessary think to become an entrepreneur) as well as access to skilled workers (the entrepreneur compensates for the lack of specialized staff's skills and competencies).

What motivates entrepreneurs in a specific region? In addition, how can the government or local municipalities encourage entrepreneurship? Entrepreneurship can be influenced by a variety of factors, many of which are related to local conditions. A few of them are listed below:

- research and development initiatives with innovative outcomes that promote the emergence of new markets or increase productivity and competitiveness;
- changes in the economic growth and major adjustment of it;
- socio-demographic changes – there is a greater demand for social services in regions with lower birth rate and a longer life expectancy;
- changes in politics – the removal of market entrance obstacles and improved access to community resources;
- people and organizations are being compelled to look for alternate energy and fuel sources as a result of climate change;
- better access to cash, such as governmental or foreign funding initiatives for businesses as a substitute for costly bank loans.

The effects of entrepreneurial actions on local economies are frequently studied on a global and comparative scale. Since 1999, the “Global Entrepreneurship Monitor (GEM)” publishes yearly a report and the conclusions provide a direct connection for many regions that there is a link between entrepreneurship, wealth, and economic progress. There are several regions depending on their local characteristics and needs, where entrepreneurship is a solution to address certain necessities (especially those regions with lower economic level) and other regions where entrepreneurs seek exclusively for market opportunities. In the latest GEM report countries are grouped by three types of entrepreneurship:

1. countries with a lower GDP as India, Iran or Russia are factor driven- where entrepreneurs have access to cheaper labor force or resources;
2. countries with a medium development level like China, Thailand, Bulgaria or Brazil show an efficiency driven entrepreneurship and seek for solutions for increasing productivity and competitiveness ability;

3. the group of developed countries (Israel, Germany, Canada, U.S.A.) that are innovation-driven and entrepreneurs are so-called Born Global - they search for solutions that can be instantly sold and applied worldwide.

The unique community culture influences the disparities in entrepreneurship and growth between locations. Entrepreneurship is influenced by regional conditions both directly and indirectly. The entrepreneur's behavior varies between locations, which has a direct influence. One indirect effect is that some sectors or businesses require entrepreneurs with specific talents, which are concentrated in a particular region due to geographic factors. However, high education investments, the fact that a significant portion of the local population engages in entrepreneurial activity or the region providing superior conditions for entrepreneurs all contribute to this type of concentration.

Cultural variables evolve slowly, while formal rules can change in seconds. Entrepreneurs look for role models who may be used as examples; some say, "If he can do this, I can do it too." According to the GEM Report, the view of entrepreneurship can be influenced by regional culture. As a result, people may regard entrepreneurship as a viable career option, accord successful entrepreneurs a high status, and pay close attention to success stories in the media. Local demand, on the other hand, generates entrepreneurial environment and encourages favorable appraisal and commercial success prospects.

1.3. Methods to identify regional entrepreneurial opportunities

The majority of tiny firms have gained a double legitimacy in the recent past: one social, linked to factors such as self and social integration, in addition to socio-economic, related to the fact that micro, small and medium enterprises (SME) are always innovating, constructing services, and, most importantly, creating new jobs. Flexibility, adaptability, and response to consumer needs are all advantages of this sort of organization.

Like many other countries, Azerbaijan included the business creation at the top of main priorities for government action. In our country, the field of entrepreneurship keeps its prominent part in our economic and social life, especially during the recent years. This fits into the visionary desire of the Azerbaijan government. On the one hand, addressing the problem of unemployment, particularly among the new graduates, and on the other hand, building significant entrepreneurial culture to develop the entrepreneurial action. Therefore, it is important to take interest to entrepreneurship as a research subject and try to deepen the understanding of this complex phenomenon.

According to Schumpeter (1974), "new combinations" are "new combinations that manifested in a new product and a method for production, as well as market exploitation and the acquisition of additional supply sources." If the new combination results in a beneficial advancement of these production features, an entrepreneur, in his opinion, has spotted a new prospect. True, works based on the concept of opportunity are relatively old, but the paradigm of opportunity holds a special position in our work.

This subject has piqued the interest of analysts and strategists since the opportunity idea is both too broad and appears in a variety of fields, each with its own set of characteristics due to the context in which it integrates, recognizes, and develops. A new economic activity, by the way, does not always necessitate the formation of a new organization. The goal of this study is to learn about the various characteristics of the East Zangezur region and to investigate the factors that influence the identification of business opportunities in the area.

Entrepreneurial opportunity identification. The distinctions between a concept and an opportunity. The concept is unique and can arise in a variety of situations. To establish a business, you will need more than just a concept. Each concept should be a cure or a response to the problem; otherwise, it will be a failed experiment in the worst scenario. As there are not enough people experiencing this need, or who can demonstrate this inadequacy, the idea will not ensure the company's property.

Most new entrepreneurs begin by identifying and clearly describing an entrepreneurial opportunity, and then attempt to formulate a precise understanding to discover the existence of the opportunity. While potential is linked to a market's climate. It is a widely held belief. This, according to Timmons, (1986) is “acceptance of nuance between idea and opportunity”. The bulk of ideas, according to them, are the outcome of an entrepreneur's creative perspicacity. Many entrepreneurs are looking for new methods to accomplish things.

In terms of potential, it is the idea's anchor in the demands market, as well as ideal circumstances and competitiveness. It's the lot of business owners. The distinction between idea and opportunity is extremely obvious, as we can see that having a product or service idea is not enough to start a firm; we also need to understand the operating potential for profit. The transformation from idea to opportunity, according to Kirzner (1979), is due to the simple understanding of the idea's real worth.

The term "opportunity" is well known for having an infinite number of definitions. Several studies have been undertaken to better understand the process of identifying and developing entrepreneurial possibilities. Since we can talk about an entrepreneur without talking about opportunity recognition, which also takes special efforts from the potential entrepreneur, identifying entrepreneurial opportunity is a critical stage for every business formation.

According to Kirzner, entrepreneurship is about identifying opportunities. Gartner (1990) and Gibb (1997) suggest, "Identifying an opportunity" as a good place to start. This technique should be able to discuss business easily. Despite this, spotting entrepreneurial possibilities is just a study subject since 1997. This recent interest has spurred fascinating debates about opportunity definition. According to the most recent and powerful study in entrepreneurship advanced by (Venkataraman, Shane, 1997-2000), entrepreneurship is a field of education. New products and services, new markets, new manufacturing processes, and new resource gathering methods can all create new opportunities. Ardichivli (2003) go even farther, arguing that identifying possibilities is

the most important talent in entrepreneurship. In honor of Eckhardt and Shane, we call this new entrepreneurial field "opportunity-based" (2003). Because of this, only one alternative has negative effects on both individuals and the economy. As a result, this logic's structural theory is intriguing. Identifying opportunities is crucial to beginning a business, but so understands what influences it.

Many factors influence the identification of business prospects. One is entrepreneurial personality. Numerous studies have examined entrepreneur personality qualities and their impact on business success. A study by Shaver and Scott (1991) found that while most personality traits were similar between entrepreneurs and ordinary people, there were some distinctions. That study used psychometrics to look for differentiating entrepreneurial attributes. They did find three personality traits connected to successful opportunity recognition.

- The first is a personality trait linked to entrepreneurship. This competence is established at the top of an entrepreneur's career and allows him to research new opportunities. "Higher alertness increases the likelihood of spotting an opportunity," he said.
- Second personality trait is creativity. Creative behaviors are more likely to produce unique knowledge about the company. Schumpeter first proposed the premise that a good entrepreneur finds advantages others miss (1934). In 1997, Hills discovered that 90% of people felt creativity is important for spotting opportunities.
- The third trait is self-efficacy. In their research on entrepreneurship, some experts emphasize self-efficacy. As stated by Bandura (2001), an entrepreneur's personality (vigilance, creativity, and self-efficacy) has a substantial impact on finding entrepreneurial possibilities.

Social networks are another important factor in identifying entrepreneurship opportunities. Entrepreneurial opportunity identification is also influenced by the social network of the entrepreneur. For aspiring entrepreneurs, interactions and relationships

are a valuable source of knowledge. Hills (1997) support this by stating that entrepreneur networks are critical for opportunity recognition. Furthermore, "entrepreneurs with expanded networks identify much more opportunities" than lone entrepreneurs, according to them.

Entrepreneurs can learn a lot about their potential obstacles from their network's ties (weak or strong). Chelly (2006). A survey conducted by Koller (1988) indicated that 50% of the 82 business owners he spoke with admitted that their innovative ideas came from someone else. Furthermore, Hills et al. (1997) supported this empirical conclusion. The precise "mix" of strong and weak relationships, according to recent research, is crucial, with the exact "mix" depending on a variety of variables, including the industry's structural, technical, and environmental characteristics. (Rowely, Elfring, Hulsin, 2000-2003). According to these writers, understanding the network elements and how to use them in different situations can be helpful to gain benefits more than planned.

Network quality can also influence additional features such as awareness and creativity. Relationships as weak, strong, or with structural flaws, are indicators of network quality. Granovetter (1973), in his article "Strength of Weak Connections" considers weak ties (casual acquaintances) as "bridges" to information sources outside a person's strong tie network (friends and family). In Azerbaijan context, strong ties are more important. Because, Family and friends are valued as carriers of information in Azerbaijani culture, which aids entrepreneurs in identifying opportunities.

The term of "structural hole" used by Burt, helps in the analysis of social structure gaps and the identification of the benefits of "having a non-redundant network". It shows the dissociation of a firm or society's collaborates (Burt, 1992). Companies with powerful organizational structures will benefit from their ability to exchange knowledge, while other firms with fundamental flaws will gain additional sources of information, improving the chances of receiving meaningful data. Furthermore, it is critical that information be sent at the proper time, so that

entrepreneurs may take advantage of fresh opportunities before others. It is known that entrepreneurs usually cannot go every place at all times, but their relationships can help them to show up in the right time and place. For Burt, entrepreneur should have more interest to make his network with lots of structural hole to receive suitable information for a better opportunity identifying process.

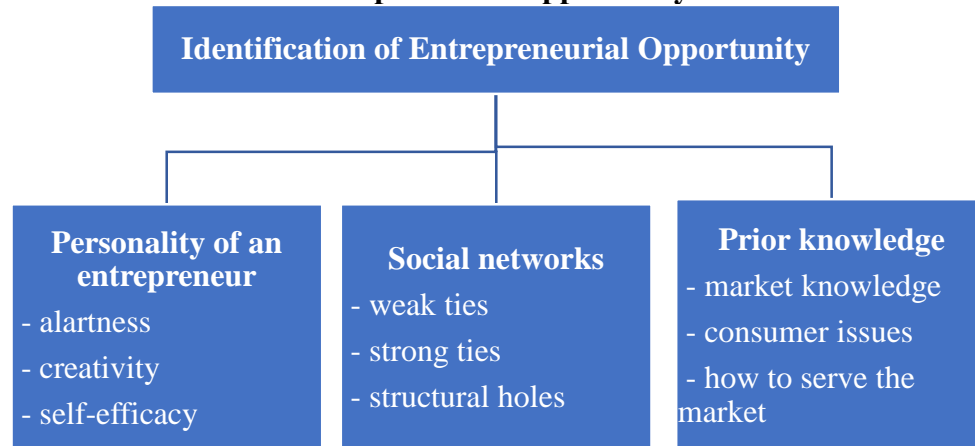
The next component to consider is prior knowledge. To learn why some individuals, find business possibilities while others do not, it is important to look at the information that these people have (Venkataraman, 1997). According to Shane (2000), “prior information to identify an opportunity is within three dimensions: markets, products and consumer issues”. Entrepreneurs are more likely to pursue business prospects when they have a brilliant "knowledge corridor" that allows them to identify the significance of fresh information. Shane (2003) indicates that “three major dimensions of prior knowledge are important to the process of entrepreneurial discovery: prior knowledge of markets, prior knowledge of ways to serve markets, and prior knowledge of customer problems markets”.

Simultaneous information about markets, consumers, technology, and other factors may result in a lot of chances for those with prior market knowledge. In their research, Christensen and Peterson (1990) looked at the sources of fresh creative ideas. They concluded that in order to identify new ideas, a thorough understanding of the market and technological skills are required. However, Park (2005) considers that “it is necessary to move on the market needs to identify business opportunities”.

Direct contact with customers allows the entrepreneur to negotiate probable challenges faced by customers as a result of the usage of technologies are being introduced to the market by the firm where he worked or a service that was not satisfactory due to prior knowledge of consumer issues. As a result, understanding customer needs is the starting point for identifying entrepreneurial opportunities. Shepherd and De Tienne (2001) found that knowing problems of consumers helps to

identify many opportunities. Which means that, prior knowledge may have a significant impact on the identification process (Figure 1.).

Figure 1: Conceptual model of variables that might influence the identification of entrepreneurial opportunity



Source: author's own editing based on - Scientific Figure on ResearchGate. https://www.researchgate.net/figure/Conceptual-model-of-variables-that-might-influence-the-identification-of-entrepreneurial_fig1_318395078

With the introduction of the internet, some entrepreneurs have been able to uncover entrepreneurial opportunities and develop new firms that provide services to domestic and worldwide customers without prior expertise of how to serve the market. According to Shane (2003), “new information on a given technology could be additional to information on ways to serve the markets, leading to the opportunities identification to solicit previous information on these processes”. Its conceptual model is summarized as above.

CHAPTER II. EAST ZANGEZUR AS A SIGNIFICANT INDUSTRIAL REGION OF AZERBAIJAN REPUBLIC

2.1. Assessment of regional opportunities in the experience of independent Azerbaijan Republic

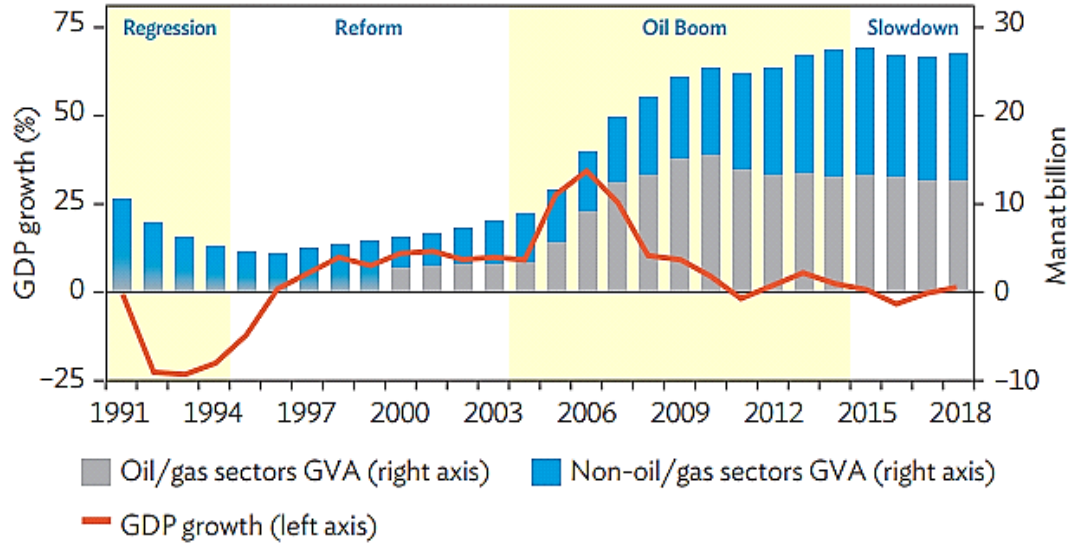
Azerbaijan is a country blessed with excellent natural conditions and abundant natural resources. Principal landscapes here, are icy peaks, great mountains, hilly farmlands, vast plains, and the lowest land beneath ocean level. Our country's territory is located in the Euro-Asian Mediterranean Sea zone, and between the Great and Small Caucasus mountain ranges, as well as the Kur plain that separates them.

Various natural elements - climate, soil, water, and mineral resources - have been caused by the country's complex geographical structure. This intricacy has resulted in unequal population distribution and a plethora of production specializations. In addition to the well-known oil and gas deposits, Azerbaijan has rich deposits of natural minerals that are useful in chemistry, metallurgy, construction building and health therapy. There are ferrous and non-ferrous ores, rare metals, precious stones, also underground sources of thermal, mineral and natural water sources.

Azerbaijan's economy is driven by the oil and gas sector, so writing about Azerbaijan's economy without starting with oil would be difficult. Because it accounts for around 90% of the country's exports and 30-60% of its GDP, depending on oil prices. Export revenues from oil, and increasingly from gas, have brought Azerbaijan significant wealth and raised the country's standard of living. Because of the oil and gas sector's dominance, the economy is more reliant on manufacturing and construction (52.2 percent of GDP in 2018) than on services (34.8 percent).

Since independence, Azerbaijan's economic development has undergone four distinct stages: regression (1991–1994), reform (1995–2003), oil boom (2004–2014), and slowdown from 2015 (Picture 1.)

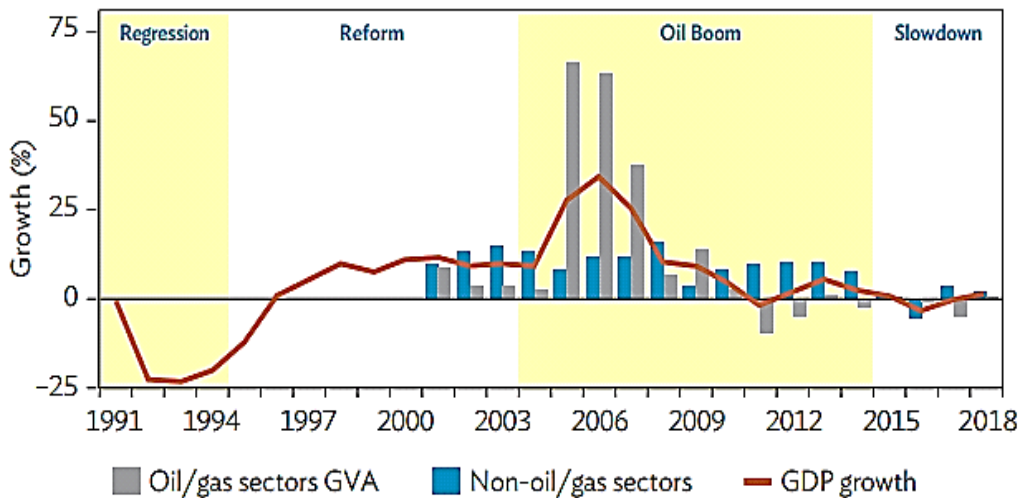
Picture 1: Gross Domestic Product Growth and Gross Value Added, 1991-2018



Sources: Estimates based on State Statistical Committee data; and UN Statistics Division database, <https://www.scribd.com/book/477800722/Azerbaijan-Moving-Toward-More-Diversified-Resilient-and-Inclusive-Development>

It was during the oil boom that the oil and gas sector became the main contributor to the country's strong economic growth up to the collapse in oil prices (Picture 2.)

Picture 2: Growth of Gross Domestic Product of Oil and Non-Oil Sectors, 1991–2018



Sources: Estimates based on State Statistical Committee data; and UN Statistics Division database, <https://www.scribd.com/book/477800722/Azerbaijan-Moving-Toward-More-Diversified-Resilient-and-Inclusive-Development>

In the 30 years since its independence, modern Azerbaijan has traveled a difficult but noble route. In the early 1990s, the disintegration of the socialist state system and a

large country like the Soviet Union generated political, economic, and social instability in Azerbaijan, as it did in several other post-Soviet countries. With the disintegration of the former Soviet Union, the economy collapsed, and by 1995, gross domestic product (GDP) was much less than half of what it had been in 1990. Azerbaijan had to contend with the acts of aggression with the separatist forces of Nagorno-Karabakh at the time, in addition to the economic hardships it had endured since independence. The war began in the late 1980s and ended in 1994, with the occupation of 20% of the country's territory and the forced displacement of over one million Azerbaijanis because of the genocidal strategy. This takeover, led by Armenian nationalists, aggravated an already deplorable situation. The country's early post-independence economic prosperity was hampered as the result of this. Azerbaijan's societal problems persisted after the war. Poverty was widespread in the mid-1990s, with more than 60% of the population classified as poor. In 1995, real per capita GDP was only 39% of what it was in 1990. Azerbaijan engaged with a strategy to rebuild oil output through intensive investment programs at this low point.

Under the guidance of the great leader Heydar Aliyev, the country gradually began to rebound and take courageous moves toward resolving grave concerns beginning in the middle of the 1990s. First and foremost, the state's independence was guaranteed, and peace and stability were maintained within the country.

At the same time, strong macroeconomic control, combating the hyperinflation of the time, and resolving severe social concerns were all required, and all were accomplished well with an undeniable effort. Since then, Azerbaijan has shown a substantial economic shift. In the mid-1990s, very first phase of foreign investments for the oil and gas exploration in Caspian Sea, transformed Azerbaijan into a fossil fuel exporter, and caused the beginning of a new phase of the economic development of our nation. Oil accounted for 10% of overall exports in 1994; by 2017, it had risen to 76%.

In 1994, Azerbaijan signed its first major contracts for oil exploration and production process with multinational firms; these agreements included product sharing

between the “State Oil Company of the Republic of Azerbaijan (SOCAR)” and global oil corporation. The country's structural reform program began the next year, helped to secure financial stability, improved inflation management, and reduced the fiscal deficit. Severely high inflation was kept under control until the early 2000s. The completion of “Baku–Tbilisi–Ceyhan Oil Pipeline” in 2005 signified the country's transition into being a major oil-based economy, as it was during the early twentieth century.

Azerbaijan rose to the problems it encountered, quickly transforming itself into an upper-middle-income country by 2009. The "United Nations Human Development Index" now classifies Azerbaijan as a high-human-development country, with an index of 0.757.3 in 2017. Our economy increased at its quickest rate between 2005 and 2010, with yearly average GDP growth of 18%. Oil prices have been falling since 2014, resulting in lower income per capita and a lower share of oil revenue in the country's GDP. However, Azerbaijan's economic success is still dependent on oil.

The dynamics of the oil and gas sector influence economic growth considerably, both through industrial activity and consumer spending linked to employment and salaries. This sector is a source of wealth in Azerbaijan, but it only generates just over 1% of employment. While the agriculture provides 5.2% of GDP, but still almost 40% of all jobs. The country has sizable agriculture land: 57.7% of the total land area and nearly half of this is arable. Azerbaijan experienced a multidimensional crisis in 2016, when low oil prices caused the economy to decline, as well as a devaluation of the currency and an increase in inflation. Since then, the government has implemented a variety of policies aimed at diversifying the economy and bolstering the agriculture sector. Increased focus on agriculture is a critical step since it has enormous potential for encouraging non-oil sector growth, job creation, and food security of the nation. Reducing the economy’s dependence on oil to achieve a more sustainable pattern of economic growth will require attracting significant levels of foreign direct investment and domestic private investment in non-oil sectors. An economic growth strategy for

when the country's oil reserves have been drained in around a generation was developed as part of the government's national plan until 2025. On 6 December 2016, President Ilham Aliyev signed a decree establishing “The Strategic Road Maps on the National Economy Perspective and Main Sectors of the Economy (Strategic Road Maps)”. The national plan includes 12 road maps: “The Strategic Road Map on the National Economy Perspective and 11 sector road maps”. Strategic Road Maps for 11 sectors identified as sources of economic development:

- “Oil and Gas Industry, including Chemical Products”
- “Production and Processing of Agricultural Products”
- “Production of Consumer Goods in Small and Medium Enterprises”
- “Development of Heavy Industry and Machine-Building”
- “Development of a Specialized Tourism Industry”
- “Development of Logistics and Trade”
- “Development of Affordable Housing”
- “Vocational Education and Training”
- “Development of Financial Services”
- “Development of Telecommunication and Information Technologies”
- “Development of Communal Services”.

The government's inclusive economic development strategy for 2016–2020 (short term) and planned goals until 2025 (long term) and even beyond 2025 are outlined in the Strategic Road Maps. This aims to help identifying main goals and create clear vision path. Identifying right path and directions play an important role in achieving goals in this process and after. For example, the primary goal for 2020 was to create broad macroeconomic stability and make businesses more adaptable to potential oil price shocks, which has led to take actions for improving private sector. Improving itself is not enough for having a well-balanced diverse economy. The long-term goal is to diversify the economy and advance economic development by introducing new non-oil growth drivers. (Table 1.).

Table 1: The main factors (challenges) are divided as follows for convenience

The development of industry	Strengthening of scientific and technological potential and expansion of education opportunities
Foundations of transition	From a traditional economy to a “knowledge-based economy” and prioritizing the appropriate development of human capital.
Involvement in the economic relations	Reconstruction and the strengthening of various economic areas. Direction of socio-economic development.
Special anti-crisis measures	Strengthening of protective mechanisms against depressive scenarios in modern economy and quickly adapt to new conditions.
Manifestation of the environmental balance	Prioritizing relevant activities in emergencies and the establishment of rapid reaction mechanisms and considering requirements of nature.

Source: author’s own editing based on long term goals of the Strategic Road Maps

The long-term strategy intends to boost the country's competitiveness even more. Beyond 2025, one of the goals is to further Azerbaijan's inclusion into the new global economy. The Strategic Road Maps are a mechanism for the government to set a course for strong, long-term, and shock-resistant growth. The Strategic Road Maps emphasize the policy to economic transformation and realize that achieving this will take a significant amount of effort. The new strategic development period requires restoring a high, sustainable, inclusive economic growth rate. The private sector will be the primary driver of economic growth, with governmental investments serving solely to encourage private enterprise. The key focus here is on development that is both high quality and diverse, rather than on the rate of growth itself. Therefore, The Strategic Road Maps have four core targets:

- to strengthen fiscal sustainability and adopt a sustainable monetary policy;
- to facilitate privatization and reforms for state-owned enterprises;
- to develop human capital;
- to develop a favorable climate for business.

2.2. Social, geographical and entrepreneurial identity of the specific region

Large-scale steps are being implemented to recover the liberated regions, assure their future growth, establish the required infrastructure, and recall the former inhabitants to their native lands because of the magnificent achievement in the II Karabakh War. The practicality of handling out all the work under one program in order to secure their fair values through the appropriate use of these territories' rich productive capacity, natural resources, and wide-ranging tourism opportunities headed to the distribution of wealth of the liberated territories into economic zones.

There is a detrimental impact on East Zangezur's socio-economic growth due to its location in the south-west of the Small Caucasus, on the border with Iran and Armenia, and its limited linkages to the main region. Armenian geopolitics have shifted, raising the specter of armed assault. Armenia's claim to Nagorno-Karabakh was at the basis of these issues. As the Lachin corridor is the only link between Armenia and Nagorno-Karabakh, the territory around Lachin was occupied. Because of this, our borders with Armenia and Iran were violated many kilometers away, and these neglected frontiers were now used for smuggling and drug trafficking until the liberation of our country.

The Azerbaijani government and people will never allow Armenia to reassert control over these disputed lands, as it has done in the past. The abundance of natural resources, such as ample solar heat, water, and mineral raw materials, as well as favorable and colorful natural conditions, greatly enhances economic development. A few examples of natural resources include chromite and gold (Kalbajar, Zangilan).

The Kalbajar-Lachin economic zone included the majority of the East Zangezur region's territory until 2021. It was established by the decree of the President Ilham Aliyev "On the new division of economic regions in the Republic of Azerbaijan." on July 7, 2021:

“Surrounded by the Zangazur mountain range and occupying a large area from Lachin and Kalbajar to Nakhchivan, in the eastern part of the Zangazur plateau, on the border

with Armenia, in the same geographical area, historically together, as well as for many years in Zangazur district established in 1861 and traditional socio-economic Historical and cultural ties make it necessary to unite Zangilan, Gubadli, Jabrayil, Lachin and Kalbajar districts in a single economic region. New Karabakh to ensure the restoration and rapid development of the ancient Karabakh region, which has a unique rich historical and cultural heritage, including Aghdam, Shusha, Fizuli, Tartar, Khojavend, Khojaly regions and the city of Khankendi, as well as Agjabadi and Barda regions of the Karabakh region. It is also important to create an economic region.”

Efficiencies in the reintegration process in the released regions must be increased so that other economic areas can benefit from the process, too. The Ganja-Gazakh and Aran economic zones need to be restructured to allow for greater economic administration flexibility.

Between 1993 and 2020, Armenian armed forces occupied its region. On November 9, the territory was entirely liberated with the declaration of II Karabakh War's victorious conclusion. Nonferrous metallurgy has the potential to develop in the region. The area has gold, silver, copper, cobalt, granite, perlite, front building stones, coral, and other minerals. Mineral resources come in a variety of forms.

Natural resources abound in East Zangezur (iron, alunite, gold, chromite, copper, molybdenum, bentonite clays, marble, construction materials, mineral waters, etc.). Hydraulic power can be generated from the hilly rivers of the region. Recreation and health are enhanced by the abundance of forests and pleasant weather conditions. The foothills and lowlands can be used for irrigated agriculture, winter pastures, mid-mountain farming, highland (subalpine and alpine meadows) as summer pastures, and beekeeping because of the ideal soil and climate for these activities.

Production of ferrous and non-ferrous metallurgical raw materials, their primary processing firms and light and food industries can also be established in the economic region. Agriculture is also a major industry in East Zangezur. It has the potential to account for the majority of agricultural output. Crop productivity is inferior to livestock

output. This region's natural meadows serve as the primary source of feed for raising cattle in both the summer and winter months.

The area may be a popular tourist destination depending on its geographical location and historical landmarks. Mineral waters of therapeutic relevance allow the machine to emerge from the world's most important recreation and treatment areas. Ganjasar, Agoghlan monasteries, Gurjulu, Mammadbeyli tombs, Khudafarin Bridge, and others are among these historical and architectural landmarks. Mineral springs like Istisu, Minkend, and Tutgunchay, as well as environmental conditions and mountain forests, are suitable for creating resorts and recreation areas. Now, we will look at the characteristics of each district.

The district of Jabrayil is situated in the Geyan plain and the Karabakh range in the southeast of the Small Caucasus Mountains. Jabrayil Ata, who lived in the 8th century, is widely believed to be the originator of the region's name. It seems clear, however, that Jabrayil is far older than previously thought. Based on various sources and evidence, the name "Gabriel" is linked to the name of an angel in monotheistic religions known as "Gabriel." As one of Azerbaijan's most historic and religiously significant districts, Jabrayil is a popular destination for tourists. The Khudafar Bridge, a symbol of a united Azerbaijan, is built in the Jabrayil region as well.

On August 8, 1930, the Jabrayil district was established. The district had a population of 24,300 and a land area of 1,050 km². Southern Iran's Islamic Republic borders the region via the Araz River. 1,049 square kilometers make up the total land area, which is mainly mountainous. Tugay forests originally covered the banks of the Araz River. Fourteen 400-500-year-old large-diameter plane trees, 104 kahriz, and 99 springs existed in the area prior to the Armenian takeover. The Armenian army took control of the area on August 23, 1993. Damage to the area was estimated at \$13.928 billion as a result of the occupation. There are around 2,000 communities, campsites, freight cars, and dormitories throughout the 58 areas of Azerbaijan where Jabrayilli IDPs have settled since the conflict began.

The district of Kalbajar serves as the country's administrative hub. On August 8, 1930, it was elevated to the status of an administrative district. The Armenian Armed Forces invaded the city of Yerevan on April 3, 1993. According to 1993 estimations, Kalbajar's national GDP lost 703 billion 528 million rubles. In the occupation process, 53,340 people were deported from Kalbajar, 50 people were murdered, and 20 people were taken captive and went missing. About 13,000 private residences and 37,852 hectares of forest in this region were stolen.

Armenian forces abandoned the Kalbajar region and turned it up to Azerbaijani forces on November 25, 2020, according to the deal struck on November 10, 2020. Armenians, unable to accept their defeat, committed acts of environmental terrorism against Azerbaijan in the surrounding area. Exodus of Armenians resulted in the destruction of many homes and forests.

"Kalbajar" means "fortress on the river" in the ancient Turkic language. There are ancient constructed caverns lined up along the Tartarchay River on the rock where the hamlet is located. As a result, scholars link the toponym to the old Turkic words kevil / kavl and jar (rock, ravine) components.

There are 60,000 people living in 128 communities in the Kalbajar region, which has a total size of 1936 square kilometers. Kalbajar is known for its rich cultural heritage and several ancient historical landmarks. Kalbajar cave settlements have been excavated by archeologists to show that rudimentary human tools were also developed here. More than 30,000 years old communities, 6,000-year-old rock engravings, and remnants of the ancient Turkic alphabet were found in the Kalbajar area. During Armenia's occupation, Armenian vandals demolished the majority of the area's historical landmarks.

The districts of Lachin to the north, Zangilan to the south, Khojavend and Jabrayil to the east, and Armenia to the west border the Gubadli district. The name of the Gubadli tribe is linked to the Gubadli toponym. Shirvanshah Sheikh Ibrahim Derbandi's grandfather, KeyGubad, went by the name of Gubadli. There is a lot of

brown mountain forest in this part of the world. Meadows with shrubs and scant trees make up the majority of the landscape. There are forests in the mountains (beech, oak, hornbeam, etc.). Approximately 13.2 million hectares of forest cover the land. The Gubadli region has a mostly mountainous topography. In 1933, the district was created.

The city of Gubadli serves as the administrative hub. One city, 93 villages, and 31 administrative-territorial districts make up the administrative division. On August 31, 1993, the Armenian Armed Forces occupied it. In addition, there were 115 large and medium-sized businesses, 11 preschool institutions, 56 secondary schools, 1 vocational school, 4 hospitals and medical facilities, and 111 cultural centers on its area. Since 1936, the Gubadli region has had a library. There were four hospitals, five outpatient clinics, 54 midwifery clinics, and four pharmacies protecting the health of the populace. Preventive disinfection, district hygiene, and epidemiology centers were all at a high level.

The Gubadli Museum of History and Ethnography, which includes more than 5,000 rare artifacts, was also robbed by Armenians during the occupation of Gubadli. Located in the southern section of the Small Caucasus Mountains, Zangilan district was liberated from Azerbaijani occupation on October 25, 2020. Soaring cliffs, tulip plains, and striking trees and plants abound in this part of the world. The surface structure of the region's land is complex. The Syunik border of the Republic of Armenia borders it on the west and north-west, and the East Azerbaijan Province of the Islamic Republic of Iran borders it on the south and southeast. Zangilan is the administrative headquarters of the province.

In 1930, the district was formed. It has been 70 years since the Soviet Union was established that the region's geographical unit has altered multiple times. The absorption and secession of the Gubadli region into Zangilan was responsible for this development in all cases. However, the two districts remain separate territorial entities. On 29 October 1993, Armenian armed forces took it. A siege by Armenian forces had threatened to kill tens of thousands of people before the conquest. Besieged villagers

escaped by crossing the Araz River. On October 20-22, 2020, the Azerbaijani Armed Forces liberated the Zangilan region from occupation after a long period of enemy occupation.

Zangilan was created in the 15th year of Hijri history, in 636, according to the famed 14th-century geographer and historian Hamdullah Qazvini. Pirjavan city should be referred to as "Zangilan city." Here, archaeologists discovered the ruins of a medieval city called "Shahri Sharifan" or "Shahri Khalifan." About 9 hectares of the city are still standing. With mountains to its west and a river to its east, the city is situated in a natural, geographical and strategical beneficial position. The district's heart belonged to the Museum of History and Ethnography. Hundreds of exhibits were on display. They expressed our people's way of life, culture, and history over the ages. White Hollow is the location of the Museum of Stone Sculptures. Stone monuments from different eras can be found. Learning the history of the districts and culture of the population was important for our next stage: identifying future perspectives for the region.

2.3. Potential areas for intensive development. Industry Analysis

The model of the country's economic system is created taking into account its natural resource potential, historical economic traditions, demographic characteristics and other key factors. The transition from the previous situation in which the means of production are fully state-owned to a mixed economy system and a variety of forms of ownership is being carried out gradually. In the economic system of Azerbaijan, the regulatory functions of the state are mainly focused on the formation and development of free enterprise in the economy. The sum of the means of labor and the objects of labor is a materially possible factor of production.

It is expedient to separate entrepreneurial ability as an integral part of economic resources. Entrepreneur acts as a driving force of production by taking the initiative to combine production resources to create a material product.

Factors of production. We have also talked about the natural resources of production above. Now let us look at the main factors of production in the economic sphere. Four key factors play an important role in this area: land, labor, capital and entrepreneurship:

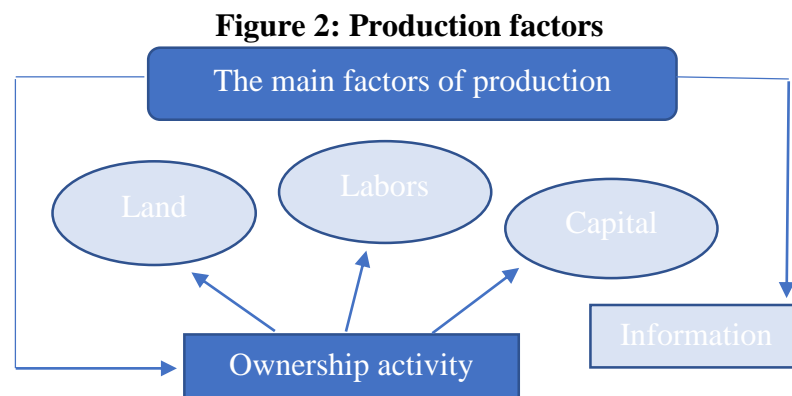
1. Land (all kinds of natural resources - arable land, forests, natural resources, water sources, etc.).

2. Labor (the larger the population, the more labor will be used in production. The more educated and skilled the population, the higher the quality of labor).

3. Capital (here machines, machines, equipment, their production facilities in which they are located).

4. Entrepreneurial activity (successfully combining the above three factors to provide the population with the necessary goods and income).

Recently, in the modern world, information is also an independent production began to act as a factor. The large scale of the bit is effective as a factor of production of this factor provides activity. The activity and interrelation of factors of production can be described in the following scheme:



Source: own creation based on the research findings

Material resources that the land owns are used for the production of housing. Human resources used for the production of material goods and services, natural

resources and human-made resources constitute economic resources. Economic resources, in turn, are divided into two parts: material resources and human resources.

Material resources include natural resources and means of production produced. Natural resources used in the production process include natural resources such as land, forests, mineral resources, water, precious metals, etc. The means of production produced include goods and services created by humans and the resources used to deliver them to producers. They are also called capital.

Human resources include human power, intelligence, information and entrepreneurial ability. The labor force is the sum of the physical and mental abilities that people use in the production of material goods and services. The workforce develops as a result of the employee's professional development in the labor process, as well as in the education system. Labor consumption is a labor process. Labor is a deliberate goal.

To find out high-productive potential areas it is important to know main aspects of the economy. There was a time in the history of humankind when it was very difficult for people to acquire material goods. Humans have naturally obtained the blessings necessary for their own survival. They did not have the ability to produce anything other than the basic tools needed for hunting and fishing. You already know that such a style is called a consumer economy.

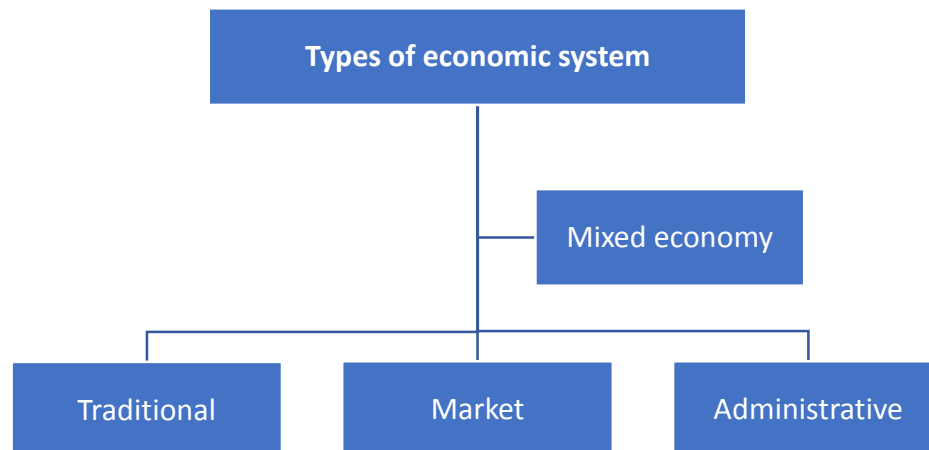
As society developed, people's labor skills and ability to organize the economy began to develop. As a result of ancient people's mastery of agricultural practices, domestication of animals, and the emergence and development of art deafness, a new form of farming emerged.

Today, the production economy is still operating. That means, people produce or reproduce something. These processes always need to be understood well because of the constant changes in the world and also local economies. Grouping main aspects of production can make a huge difference in order to make the term more understandable.

So? These three main aspects of the economy - the task of producing, how to produce and for whom - remain all relevant.

- The first task is to produce and the question is what to produce? Here is such a decision that, it is necessary to know exactly what blessing, in what quality and quantity must be produced.
- The second task - how to produce. Producing style is up to up to the region or organization itself. Here their authorities must be decided what limited resources, their combination and what techniques should be the best choice to use in producing the product?
- The third task - to produce for whom. Selecting target area is another important task. This problem is related to the distribution of benefits: to whom will the economic benefit produced reach and to what amount will the economic entity receive it by paying.

Figure 3: Types of economic system



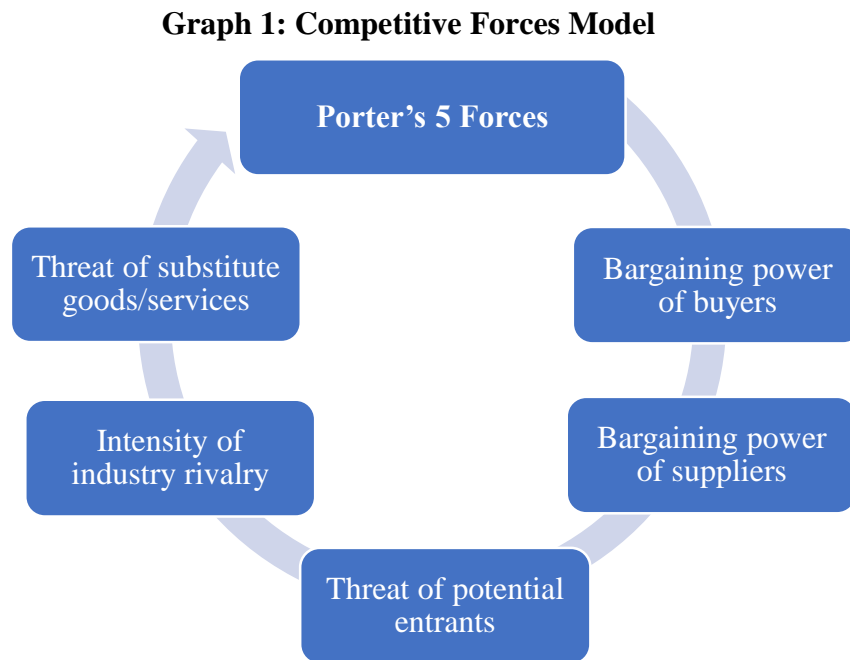
Sources: own creation based on the research findings

The restoration of economic relations, thorough scientific research, and the restoration of these areas' rich historical and cultural relics are all made possible by the liberation of occupied lands. For example, Chakhmagchay and Tulus tuff for sawdust production, Garacalli clay for brick production, volcanic ash for construction sand, clay

for cement production, marble, gravels, forest resources and much more. How precise a region's industry study is, the better it is at identifying industrial potential? What is the industrial analysis, exactly?

Beforehand, we must know that in order to be successful in this dynamic business environment, one must understand and utilize the differences between himself and his competitors. Identifying those differences can have an undeniable impact on both negative and positive sides to them. Following three essential and widely utilized approaches for doing an analysis to understand the industry:

1. Porter's Five Forces Model

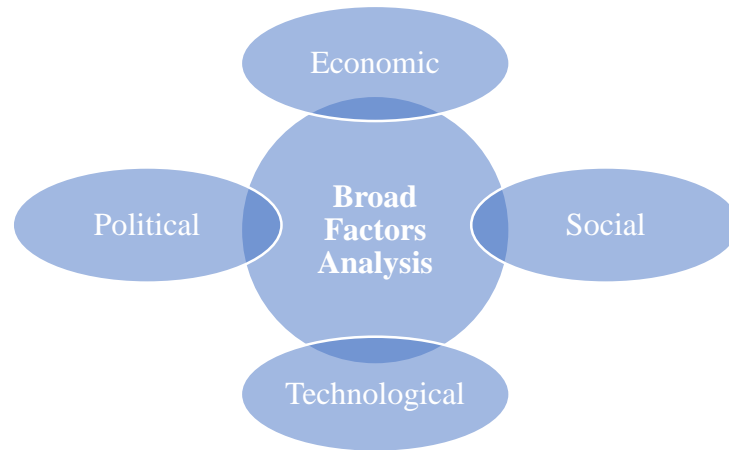


Source: Own editing based on Michael Porter (1980) "Competitive Strategy: Techniques for Analyzing Industries and Competitors"

Analyzing industrial data using the "Competitive Forces Model" is a useful approach. According to Porter, looking at these parameters will always present a realistic view of the industry and make things easier.

2. Broad Factors Analysis.

Graph 2: PEST analysis

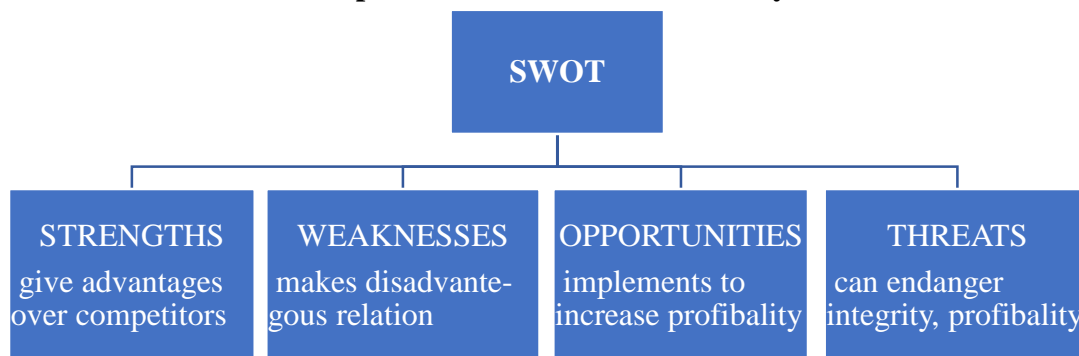


Source: Own editing based on Francis Aguilar (1967) “The Broad Factors Analysis”

Using this methodology for industrial analysis is a great way to have a better grasp of the outside world. We must take a closer look at each of the four components listed above in order to apply this tool for industrial research.

3. SWOT Analysis

Graph 3: Elements of SWOT Analysis



Source: Own editing based on Albert Humphrey (1960-70s), Stanford Research Institute (SRI)

There are many facets of the industry that can be analyzed in this manner to see how they affect a particular company. Before starting to apply these techniques to our research, picturing importance of “Industry Analysis” may help to determine their place in this research for getting better results.

Industry analysis is a tool that helps an entrepreneur or a business evaluate its position in respect to other industry members, including its competition with other rising industries. It aids them in recognizing prospective possibilities and hazards, as well as presenting a clear image of the company's status and potential, taking into account technological improvements, the industry's financial structure, and the industry's effect from external factors.

As a sort of market assessment, industry analysis is critical since it aids a company's understanding of market circumstances. It aids them in forecasting supply and demand, as well as economic benefits from the company. It shows competitiveness the industrial sector as well as the expenses of starting and stopping a business. When starting a business, this is crucial. Analysis can assist determine which stage a business is in: firstly, continues to develop and can grow more, and secondly it already has its biggest size possible.

By undertaking a comprehensive research of the sector, entrepreneurs can obtain a foothold in the management of their business and identify uncharted territory. Additionally, it is essential to keep in mind that market research is subjective and does not always guarantee success. It is possible that erroneous data interpretation leads entrepreneurs in the wrong direction or causes them to make poor choices. Therefore, it is essential to collect data with care.

Let us begin with a SWOT analysis of the economic zone of East Zangezur. Internal components of the analysis, "Strengths" and "Weaknesses" are "Strengths" and "Weaknesses." Internal portion refers to elements that currently exist in the region or are present in the existing state, including those that may exist in the future. The region's strengths are its resources, whilst its shortcomings are its lack of resources. The research also considers exogenous influences that frequently produce the unpredictable. It is vital to rank opportunities and threats based on the likelihood of their occurrence and their possible impact on the business, as well as to evaluate whether the management is motivated and capable of capturing the opportunity or will avoid the threat. In our

example, we will assess both the strengths and opportunities, as well as the weaknesses and threats, in two different combinations.

Because of its geographical location, Azerbaijan has the capacity to assure the growth of the East Zangezur, mining sector, and metallurgy. The lack of the region previously had a negative impact on the sectoral and territorial organization of the economy, impeding the development of the economy's processing areas. However, upon freedom, it is envisaged that rising metallurgy, as well as a number of other industries in the country, will result in significant development of the military industry as well. These places have a plentiful supply of raw minerals such as gold, copper, mercury, iron, marble, chromite, perlite, lime, agate, and building materials, implying that the region is capable of establishing chemical, metallurgical, and energy sectors concurrently. Non-ferrous (gold, platinum, aluminum, silver, copper, and so on) and ferrous metallurgy; construction material production; mechanical engineering and metal processing; thermal power plants; perfumery; recycling, utility, power engineering, and other equipment can be developed for local consumption or export.

The liberated lands are dotted with precious mineral deposits. Gold and chromium deposits can be found in abundance in the Kalbajar area. There are numerous instances of minerals, such as mercury and a variety of aforementioned substances. Mercury is abundant in Shorbulag and Aghyatag in the region. Cement manufacturing raw materials, marble and other building materials, iron ore, and even oil fields can be found in the Jabrayil region. The industrial reserves of Aghduzdagh and Tutghun gold resources number 112.5 tons, while those of Soyudlu (Zod) and the Kalbajar region, at more than 13 tons, add up to a total of 850 tons. To produce brick, the 10941 thousand cubic meters of reserves in the Agyatag, Levchay, and Chorbulag mercury deposits can be used, as can the 1312 thousand cubic meters of reserve in the Aghgaya sawn stone tuff deposit. Four marble onyx (reserves 1756 tons) and nephroid (reserves 801 tons) deposits with beautiful decoration; one obsidian (camel's eye) deposit with reserves of

2337 tons and four sand-gravel mixture deposits with reserves of 2540 thousand cubic meters; all of these deposits can be used to make lightweight concrete aggregate.

Besides gold, the Vejnali deposit in the Zangilan district also contains significant industrial potential. Therapeutic plants and springs can be found across the region's land. Building stone, clay, marble, and other minerals can be found in abundance in the region.

Food and lighting industries. Azerbaijan's food and light industries have been growing since ancient times. For example, consider the history of carpet weaving in the Republic of the Thirteenth Century. One of Azerbaijan's oldest and most traditional fields is the development of foreign business connections in the light industry. Cotton, wool, cocoons, and sea transportation are the most important light industrial enterprises in the country. Baku housed the largest cotton fabric plant in the Caucasus and the first garment factory in Azerbaijan around the end of the nineteenth century. Azerbaijan produced 300 tons of raw silk, 22,000 tons of cotton yarn, and 4 million tons of wool in 1913.

Machine building, instrument manufacture, car repair, communication equipment, electric power, agricultural technology, mechanical plant, and other industries were historically included in the economic region. There are companies. Light industry (cotton and wool fabric, knitted goods, carpets, cotton ginning plant, porcelain and pottery), food (milk, butter and cheese processing, mineral water filling, canned fruits and vegetables, wine, butter, meat products, flour milling, confectionery) and construction materials (house building, reinforced concrete, brick-ceramic, marble) industries can all be revitalized. Cotton products; wool leather; silk; various textile and sewing products based on local raw materials: hand-woven carpets; footwear; woodwork and furniture manufacturing; production of historical-cultural craft products; packaging products; food products; agricultural products, and much more.

Considering that, most of the liberated regions are agricultural regions, as well as the base for the raw material of light industry is agricultural products, we can say

that there are great prospects for the development of this sector. For example, the development of the cocoons industry will create the favorable conditions for launching the appropriate light industry enterprises.

There is also historical experience in this area. At the beginning of the XX century there operated five silk-weaving factories in Jabrayil district. Along with these, there were 31 dairy farms in the district, 27 of which were mechanized in Gubadli. There were two grape processing plants in the region. The products of dairy farms were processed in a butter and cheese factory prior to the occupation, the region's economy was based on livestock, viticulture and cocoons. In recent years, more than 60,000 tons of grapes have been produced.

The basis of Gubadli's economy is grain growing, animal husbandry, tobacco growing, cocoons and viticulture. There were factories, sewing, carpet, instrument-making workshops for primary processing of grapes in the region, in general, eight industrial facilities.

The light industry, which will be reconstructed in Karabakh can be subdivided into: weaving, sewing, fur and leather processing, footwear production, knitwear and carpet weaving. The art of weaving was also developed in Lachin. Here, a woolen horse's bridle, palaz, kilim, carpet, zili, xurjun, farmesh are distinguished by their special beauty. It is no coincidence that the creation of the carpet known in the world as "Gasimushagi" is connected with the name of this region.

The full-capacity asphalt plant served not only Gubadli, but also neighboring regions. The incubator-poultry factory and fish farm provided the population of the region with meat and fish products. The quarry and marble workshop met the needs of the population. The regional branch of the Azerbaijani "Neft-gaz-avtomat" experimental plant was being finalized. In general, there were 62 departments and enterprises in Gubadli region. Karabagh has rich traditions of carpet weaving. By developing the carpet weaving, it is possible to meet the requirements of the domestic market, as well as, to organize the sale of traditional Karabagh carpets on the

international market. This is also promising in terms of promoting Azerbaijani culture in the world.

Agrarian sector. According to economists, the assessment of the economic potential of the liberated regions, especially Lachin and Kalbajar, as well as their share in the country's GDP shows that the economy in these places has the potential to develop over many times. The economic potential of the liberated lands is multifaceted, covering various areas of agriculture, industry and tourism.

The liberated lands have great potential for the development of viticulture, tobacco, cotton, cocoons, fruits and vegetables, melons and livestock. Corn, peas and grapes are typical crops of the region. Mainly livestock and agriculture have developed. The fact that the land is mostly made up of mountains, foothills, and plateaus gives rise to a variety of economic sectors. Summer pastures are appropriate for the economic region. The main arable fields are in the Hakari River and its tributaries' valleys. The main irrigation sources are Hakari, Bargushad, and Oxchuchay, however they are extensively polluted with industrial waste.

Cotton, fruit, tobacco, sugar beet; grain, vegetable, tea; olive, sunflower; and other ecological agricultural goods; poultry, beekeeping; fishing; cattle breeding farms for meat and milk have enormous potential. A well-developed farm enables the preparation of a wide variety of meals. This is especially crucial for the country's food self-sufficiency and export diversification. Azerbaijan has a rich cultural, historical, and natural legacy that can help the tourism industry thrive.

Tourism sector. Domestic tourism growth has the potential to become a critical link in both the overall and non-oil and gas sectors of the Azerbaijani economy. To boost the growth of domestic tourism, new tourist routes covering a wide range of topics must be created.

The key subject in the liberated territories should be the Armenian occupation museums that show realities. These museums should portray a wide image of Armenia's occupation policy. As already, many people, including Azerbaijanis and foreign

visitors, want to visit the liberated territories and learn about the current situation in there. Rural tourism can play a unique role in the growth of tourism in the liberated territories. East Zangezur region has huge touristic potential for:

- development of mountain sports;
- resort-sanatorium, tourist-base complexes;
- health tourism centers;
- hotels in the regions.

Clean air, abundant labor resources, a diverse array of fruits and vegetables, an abundance of livestock products, a picturesque mountain, forest and meadow landscape, and mineral springs of medical significance all contribute to the transformation of the East Zangezur regions into resort-tourist destinations. It is the most mountainous area in Azerbaijan, and the territory of the Kalbajar district reflects that fact. The occupied regions are also home to the world-renowned mineral water reserves, which have a powerful medicinal and balneological impact. Yukhari and Ashagi Istisu mineral waters in the Kalbajar district are particularly notable for their good gas and chemical composition, high temperature, and plenty of natural resources, among other characteristics.

This place's waters have the ability to treat both exterior and inside human illnesses. In the 1980s, a big resort and a mineral water filling factory were constructed on the site of the Istisu spring. Every day, the plant generated hundreds of gallons of water. The Istisu sanatoriums Number 1 and 2, which were of national significance, were located in the Istisu town in the area. Every year, hundreds of patients are treated and accommodated at the facility.

Throughout the Zangilan district, extensive woods may be found in the hilly areas of the region. Broad-leaved woods progressively give way to subalpine and alpine meadows as they descend. The Zangilan area is home to the second-largest stand of plane trees in the world and the first-largest stand of uncommon plane trees in Europe.

The unique climate of the region is a result of the region's natural features and complicated terrain.

The main direction of the Azerbaijani economic field in the USSR was a link in the general central economic chain; our republic became a source of raw materials. Today in our country, an effective mixed economy system is being formed in the context of building a new democratic society. To solve this problem, first of all, large-scale privatization of state property and reconstruction of the economic management system are being implemented.

The integration of the freed regions into the country's broader economy, as well as the usage of new global and regional transportation and logistics corridors, will offer Azerbaijan a major boost. The establishment of stability, consistency, economic strength, and beneficial contacts in the area, including the expansion of trade corporations, would assist Azerbaijan's responsibilities as a centralization of power in the Caucasus Region in reviewing the overall state of the regional economy.

CHAPTER III. RECENT OPPORTUNITIES FOR INDUSTRIAL DISTRICTS: ESTIMATING FUTURE CAPACITY OF EAST ZANGEZUR ECONOMIC REGION

3.1. Modern ways of business development: searching for opportunities

It is known that; the country's economic strength is also measured by the extent of dependence on foreign countries or imported goods. We can call this process industry analysis. One of the best market assessment methods is industry analysis, which firms and analysts use to understand an industry's competitive dynamics better. It enables them to gain a better understanding of what is going on in a given industry, such as demand-supply statistics, intensity of competitive pressure, state of competition with other industry sectors, growth expectations of the industry in light of technological improvements, credit market within the industry, or the influence of external variables on the industry. Industry analysis for a country or region is a way for determining a region's place in the country's industry in comparison to other regions. It aids in Identifying potential opportunities and hazards, as well as offering a detailed view of the region's existing and future market status. The term "industrial district" is formed by combining the terms "region" and "industry."

Industrial District is a common geographic area or space specializing in the manufacturing of a certain industry with a large number of companies producing identical goods, including firms operating at different steps of a production process. It is also characterized by strong societal and commercial connections.¹ Economic implications refer to the predicted growth in location-based capital material wealth, but also how entrepreneurial ecosystems produce and develop value. Entrepreneurial ecosystems are built on this foundation by districts. Entrepreneurial environments and industrial regions are also weighing in on the same issues.

The borders of an ecosystem define, and the organisms that live within them exist in autarky. It can have an impact on a location's vitality, stability, and long-term

viability. Entrepreneurial ecosystems influence local innovation outputs by providing individual businesses and industries with a competitive advantage and added value. (Cunningham, 2018). Its boundaries may not always be visible, but they are connected to points of access and leave. The species, or agents, take the ecosystem's required resources while also producing important resources for others, spilling over the ecosystem's limits. The difference is that the limits of an industrial district both physically and legally are defined.

Workers, small businesses, and firms specializing in a core economy and supporting industries live, work, and gain for mutual proximity to interact and develop popular ideas and outcomes in an industrial area. This collection of small enterprises is focused on the same activity since their location offers them with certain benefits derived from, among other things, the features of the community that supports them or the distinctive district composition.

In the last years, there is an increasing interest in regional constructed advantage to understand how regions can use policy interventions to create new economic development trajectories and pathways by changing their capacities. Capacity of a region is its limiting capability to produce an output over a period. Capability of the production is limited for a period. However, nowadays, smart specialization is a leading approach for capacity activation. It means the capacity is subjected to intensiveness of use of the facilities of the region.

If partnerships of stakeholder networks, in particular regions, come together to uncover information and identify potential new knowledge combinations, it is possible to boost capacity in a matter of days or hours. A "local concentration and agglomeration of resources and competences in these domains" that might lead to competitive advantage of the region (Foray, 2016, p. 1431). Entrepreneurial discovery process aims to reveal new fields of possibility based on current strengths, alliances, and ability in order to capitalize on existing regional embeddedness. With these methods, the outputs can be increased to meet additional demand. Successful strategic management of this

process depends on successful input from local stakeholder partnerships, that may not have a thorough understanding of the numerous links and social relationships from which new advantages can be derived (Yoon, Yun, Lee, & Phillips, 2015). Imagine if this transformation process was having many sub-processes, each of them was interconnected. This may potentially drive the use of causal reasoning to reflect the outlines of a more opportunistic/flexible approach for an effectual entrepreneurial discovery. The capacity limit is determined by the capacity of that sub-process which produces the least. It makes necessary to distinguish causal entrepreneurial discovery process behaviors from more effectual as the basis to understand whether effectual behaviors associate more strongly with more successful capacity activation strategies. Therefore, by balancing equipment we can create a better balance amongst the sub processes and upgrade the capacity itself. The concept of capacity is directly connected with the weakest link in the chain. This means that even when capacity is fully utilized in terms of the definition of capacity, there may be individual processes that may remain underutilized.

Building on the regional development and the strategy literature, entrepreneurial ecosystem (EE) has its roots in other system-type theories of industrial districts, innovation systems and clusters (Acs, Stam, Audretsch, Connor, 2017; Stam, Spigel, 2017). While most conceptual models see the entrepreneurial environment as a collection of disparate elements, EE takes a multi-context approach that emphasizes self-reinforcing dynamic, interrelated, supporting impacts, and forward-backward links between them. (Cooke, 2016; Malecki, 2018; Stam, 2015).

Components used in EE have evolved over time, for institutions, it takes longer time. This path-dependent progress leads to the creation of one-of-a-kind EE. (Cooke, 2016; Stam, Spigel, 2017). Spillovers have a significant influence in locally embedded knowledge transmission (Qian, 2018).

EE research has four unique characteristics. To begin, EE distinguishes between the entrepreneurial environment (ecosystem) and entrepreneurial outcomes. EE

concentrates on opportunity detection activities that lead to higher impacts, high-ambition start-ups and ignores potentially marginal, non-growth self-employment initiations among the numerous sorts of entrepreneurial outputs. (Acs, 2014; Stam, 2015). Second, the relationship between the entrepreneur, organizations, and institutions determines the EE's performance (Alvedalen, Boschma, 2017). Third, the EE is geographically bounded, place based (Audretsch, Belitski, 2017; Qian, Acs, Stough, 2013).

While the EE can be studied and analyzed at the national level (Acs, 2014), scale economies, networking, and Indirect impacts, which are critical for the establishment of strong start-ups, are more effective in smaller geographic units like towns or urbanized zones. Finally, given of its uniqueness and path-dependent character, EE development necessitates tailored, bottom-up strategies rather than broad, universal ones (Acs, 2014; Mason, Brown, 2014).

The findings of those research show that entrepreneurship as assessed by activity, as well as the impact of entrepreneurial activities on performance, varied at different stages of development (Acs, 2006). In affluent economies, entrepreneurship has a favorable and considerable impact on territorial performance, whereas in less developed nations, the situation is reversed (V. Stel, Carree, Thurik, 2005).

As a result, not all forms of entrepreneurial activities are equally valuable (Grilo, Thurik, 2008). A variety of indicators, including self-employment rates, the "Global Entrepreneurship Monitor (GEM)" or "total early-phased entrepreneurial activity (TEA)" are determined to have a small impact on economic growth, whereas innovation-related or increased start-ups have a substantially higher impact (Wong, Ho, Autio, 2005).

The fortunes of the region's major industries drive either investment and growth, or disinvestment and shrinkages. So, we can say that an industrial district is a global concept.

It is a type of industrial organization related to the diversification of SMEs and other large enterprises, each specialized in a different phase of the process and actively

engaged in the development of a unique item or set of items through competitive and cooperative relationships. It represents an overcoming of the sector according to statistics, while as a result of this accomplishment, a district proposes the "local community" as the unit of analysis, with industry as its economic component (Porter, 1990) or according to the latest version: "geographically-based group of interconnected companies" (Porter, 1998). This has a direct impact on the finding out the specific region.

It is not a question of enclosing of agglomerating organizations (in a same market or different markets, similar or distinct), but of enclosing a local community that matches an industrial sphere in terms of production process organization. When production is structured through local businesses that focus on one or a few steps of the same manufacturing process, the result is a district community. Because, it is the industry that employs the bulk of the local inhabitants, the sector in which the local community specialized corresponds to the principal sector of the domestic economy, meaning the industry that is the lifeblood of the town. The growth or decline of this industry has an impact on the community's life.

Government is and should be one of the greatest participants in the economy of the country and its regions. Authorities and regulators must play a different role in the entrepreneurial discovery process than traditional innovation in the realization of their industrial strategies (Foray, 2009). Coffano and Foray (2014) claim that a large number of regions have already begun to change from structural study of the "easy to do" to entrepreneurial discovery ("difficult to do"). The goal is to integrate current knowledge and capabilities in new, maybe more complicated ways. Exploratory phase may cause the distance between the actors to alter, resulting in closer relationships between distant actors. This is mostly a cognitive aspect of proximity. In the exploration, knowledge space shifts from a set framework of exploitation to a new knowledge space (Table 2). This new information is the result of discovering a new domain that can be used to boost regional progress. The knowledge, space and the EDP (Entrepreneurial Discovery Process) phases of exploitation–exploration–exploitation are intertwined.

Table 2: Knowledge space and time, from exploitation to exploration

	Knowledge dynamics	Knowledge space	EDP phase
Exploitation	Cumulative based on existing knowledge	Proximity, fixed relations	Beginning of discovery process
Exploration	Combinatory knowledge dynamics	Substitution, new proximity relations	Hybrid space Search for new knowledge discovery
Exploitation	Cumulative knowledge dynamics	New knowledge space: new balance - proximity and distance of agents	Result of discovery: new domain innovation and growth of the business area

Source: https://osuva.uwasa.fi/bitstream/handle/10024/12123/Osuva_Virkkala_2019.pdf?sequence=2&isAllowed=y

The discovery process helps to identify four different types of regional capacity (Isaksen, Jakobsen, 2017)

1. Path extension (slight modifications in the same industries/technological paths over time);
2. Path upgrading (substantial deviations from a pre-existing path, driven by the application of new technology or organizational models);
3. Path renewal (As a result of the blending of current activities and related/unrelated information, potential ways have emerged.);
4. New path creation (A region's new industries/technological routes can rely on 'imported knowledge' or the outcomes of opportunity discovery operations.).

Last two kinds – "path renewal" and "path creation" depend upon regional actors can envision or implement collective change. It occurs as a result of a mutual exchange of ideas, negotiation, compromise or coordination.

The need for more jobs to combat unemployment and social isolation is clear in practically all countries, but it is especially critical in post-war regions, which have been devoid of any form of industrial infrastructure for years. The topic of how to generate growth and jobs in this environment is pressing. That this can only happen with the help of government and its policies.

The construction of new industrial lines could provide a solution to the requirement for additional jobs. To create new paths for development, we need to understand how different types of entrepreneurs might influence specific path developments in distinct geographical settings through entrepreneurial discovery processes. New growth paths can begin with a discovery made by a single entrepreneur, a business, a local leader, and so on, according to Foray (2015). An idea or an institutional transformation are examples of that kind of discoveries. “Entrepreneurial discovery is the essential phase, the decisive link that allows the system to reorient and renew itself” (Foray, 2014).

3.2. Work in progress for the post-war development of the East Zangezur economic region

As briefly discussed before, the first war resulted with the occupation of 20% of the country’s territory and the displacement of more than one million Azerbaijanis from their homes, as a result of the policy of genocide and occupation pursued by Armenian nationalists. During the war, ethnic cleansing turned Nagorno-Karabakh into an ethnically pure and homogeneous Armenian area (F. Ismailzade, D. K. Miskovic ;2021). Just as in the seven surrounding territories also occupied during that war, all ethnic Azerbaijanis were either expelled or forced to flee Karabakh. Therefore, the chances of returning of the real habitats who had born before the first Karabakh war were decreasing day-by-day.

This decades-old war, along with failed negotiations, resulted in a permanent state of "No War, No Peace." The offence-defense balance evolved steadily in the years preceding up to the Second Karabakh War, eventually favoring Azerbaijan. Its huge military buildup, which spanned many years, served as the first main determinant of this transition. In addition, our country’s economic potential, which is far superior to that of Armenia, along with its financial resources, also presents opportunities for relatively poor Karabakh. According recent regional division, East Zangezur and

Karabakh economic regions can develop their own economic interests and self-confidence with using their resources and entrepreneurial opportunities.

The sociopolitical core of our country's massive development roadmap is to accelerate economic growth by focusing on high quality, dependable, cooperative, and mainly non-governmental initiatives in order to continuously raise regional welfare while ensuring the return of former residents to their homelands. (Table 3)

Table 3: National Priorities and the strategic goals to achieve them

	National Priorities	Strategic Goals
1.	A steadily growing competitive economy	- sustainable and high economic growth; - resistance to internal and external influences.
2.	A dynamic, inclusive and socially just society	- benefit of every citizen from development; - high and fair social security, inclusive society; - balanced development of the capital and regions.
3.	Competitive human capital and a space for modern innovations	- education in accordance with the requirements of the XXI century; - creative and innovative society; - healthy lifestyle of citizens.
4.	Great return to the liberated territories	- sustainable settlement; - reintegration into economic activity.
5.	Clean environment and "green growth" country	- high quality environmental environment; - green energy space.

Source: author's own editing based on "Azerbaijan 2030: National Priorities for Socio-Economic Development".

The beneficial interaction among population, economy, and political authority should be reinforced for our nation's long-term, consistent, and rapid prosperity. In the next decade, the five national priorities for the country's socioeconomic development must be implemented. The mentioned National Priorities are also of special importance in the implementation of the obligations arising from the United Nations "Transformation of our World: Agenda for Sustainable Development until 2030".

The preservation of Azerbaijan's territorial integrity holds a special place in our people's centuries-long history. The people of Azerbaijan have accomplished the greatest military and political success of the last century by restoring state borders. The return of individuals who have been forced to leave their native lands must be secured

in order to preserve the victory. This return will serve as a bridge to a long-term settlement of our people in the freed regions and their inclusion into the country's economic activity. The secure migration of former inhabitants to the freed regions, like before, must be guaranteed, and the territory must be one of the most productive places in the country. Reconstruction must be fully performed in all sectors in order to establish a good life, which is the basis of modern civilization. It will happen when the liberated areas are fully integrated into Azerbaijan's bright future. (Table 4)

Table 4: Great return to the liberated territories

	Goal	Vision	Mission
1.	Long-term settlement	Creating healthy environment to live and to produce for permanent residents.	Offering appropriate housing, contemporary services, and optimum use of economic prospects.
2.	Reintegration into the labor market	Increasing the region's part in the economic activity to the pre-occupation levels and keep it sustainable.	Promotion of private ventures and the expansion of public-private partnerships.

Source: author’s own editing based on “Azerbaijan 2030: National Priorities for Socio-Economic Development”

Effectual entrepreneurial reasoning conversely believes, the future will be partly created, ventures will be constrained by human resources, risks will be handled in terms of manageable deficits, uncertainties and challenges will be accepted as unavoidable, and will be resolved as much through partnerships as through competition. Smart specialization process in each region must focus on discovering opportunities. It is necessary to know whether these represented causal or effectual approaches to entrepreneurial discovery process.

Causal entrepreneurial reasoning believes the future can be predicted, goals selected, risks managed in terms of returns on investments, seeking to avoid uncertainties and difficulties, whilst following a primarily competitive analysis. Causal entrepreneurs pick their desired future and seek to realize that, whilst effectual entrepreneurs try to move towards more desirable future end points and away from less

desirable future situations. The distinctions between causal and effectual reasoning are summarized in the following table:

Table 5: Key distinctions between causal and effectual reasoning in entrepreneurial processes

Issue	Causation reasoning in entrepreneurial discovery	Effectuation reasoning in entrepreneurial discovery
View of the future: prediction vs control	The future can be predicted based on experiences and with input from external consultants regarding future trends that allow an accurate future picture to emerge.	Focus on the extent to which you can control the means available to you. It is important to harness the region to trends that will lead to growth-investment scenarios.
Givens: goals vs means	Goals are given. The purpose of a regional strategy is articulated in its goals and visions, setting concrete and measurable targets with means being chosen to deliver those desirable targets	Means are given: The purpose of a regional strategy is to articulate assets and capabilities, and the capabilities within networks to create competitive new combinations.
View of risk and resources: expected returns vs affordable loss	Expected returns: pursue new opportunities based on risk-adjusted expected value return to public investment and advantage against the desired headline targets.	Affordable loss: invest what you are willing and able to lose in order to support the regional entrepreneurial ecosystem and stop negative effects from failures.
Attitude towards unexpected events: avoid vs embrace.	Avoid contingencies: take aversive action to avoid obstacles and select activities to reduce risk to a minimum.	Embrace contingencies: do not avoid risks, and leverage them into new opportunities. It is good for discovering new directions.
Outsiders: competitive behavior vs partnerships	Competitive behavior: support individual actors. Competitive analysis needed to maximize their private gains from innovation activities.	Partnerships: self-selected stakeholders shape the direction of the new venture. Both parties acknowledge and share rewards and risks.

Source: <https://doi.org/10.1080/09654313.2018.1530144>

Each of liberated regions – Jabrayil, Kalbajar, Lachin, Gubadli and Zangilan– has started to develop a regional innovation strategy. Partners in all these regions are motivated by a desire to access foreign investment, and the regional authorities are developing strategies to meet the requirements to access structural funds, being covered by smart specialization strategies at a higher administrative level. In all of regions of East Zangezur, there is a genuine desire by people and the government to stimulate a

change of regional direction, to create new kinds of innovative business activities that may contribute to reducing industrial decline of the past 30 years and improving the innovativeness of regional industry and the wealth of the region more generally.

3.3. Post-war economic and social situation: plans made; actions taken

Satellite photographs, open-source studies, and government narratives show that in conflict-affected areas, the road to recovery is long. In addition, just because the guns have been taken down will not mean the path is clear. Legacy munitions leaks, land theft, and governance vacuum can all cause havoc. Climate change has the potential to magnify these consequences. There is yet hope. Environmental and conflict issues are gaining popularity. States and international organizations are recognizing the need of being able to recognize, respond, and reduce environmental dangers that could destabilize states and spark wars.

Azerbaijan is gradually moving away from its current government-owned system and toward competitive markets with strong private sector involvement. Subsidies should be phased off in tandem with support programs for the country's economically needy residents. Azerbaijan's large wind and solar power resources would be developed as a result of such a transformation, which would encourage young market participants and investments.

The restoration of our country's historical territorial sovereignty will create a new stage for the former inhabitants to return to their native lands, live and produce peacefully. Sustainable settlement must be ensured in the liberated areas. The historical position of the liberated territories, economic and social image of the country must be restored. The new region must become one of the leading links in economic activity and have the same level of development as other regions of the country. The sustainable development of the region will depend on meeting the needs of the economy with the right resources, and the abundance of natural and historical wealth will allow investment in these areas.

Environmentally sensitive approaches are actively embraced by post-conflict humanitarian initiatives. Aiding conflict victims, mending damage, and regenerating ecosystems with ecologically sustainable technologies are all critical steps for long-term peace within community support. While some attempts to enhance, implement, and enforce environmental legislation relating to armed conflicts are underway, more needs to be done. The COVID-19 pandemic is an example of cross-border cooperation that avoided and reduced chaos. The crisis response and long-term recovery plans for the pandemic emphasize the importance of safeguarding the environment and those who rely on it. Science-based leadership reduces crime and protects ecosystems.

Thirty years after Karabagh conflict that has killed at least 50,000 people, much of its regional economy lies in ruins. As the violence has expanded, assets and infrastructure have been destroyed, economic output has fallen. Fortunately, the afterwar economic policies are now starting implementation in the region, creating significant new economic networks and business activities that are fueled by hope for the count's better future. New approaches and technologies that allow tracking and detecting of post-conflict concerns include economic stress, deforestation, and pollution in Karabakh. After the war, attempts to protect the natural environment while cleaning up the conflict's explosive remains provide an opportunity to address the twin issues of unexploded bombs and non-recyclable contaminants. Communities are also banding together just to save water and foster a lasting peace. For a better development, we consider that learning senses of local people will have significant impact on the future of the region. So, we conducted some interviews below, with the IDPs from East Zangezur region.

Amirkhan Zeynalov, the elder of the Lachin region:

- At present, modern settlements with all infrastructure have been built and put into operation in the area called Takhtakorpu of Agjabedi region, where executive structures, departments, and enterprises of our region are located, and some of the Lachin residents are temporarily settled...As an elder, I am

extremely pleased with the improvement of the welfare of the population, peace, stability, and development in our country.

Azer Aliyev, Jabrayil IDP, retired officer:

- The history of independent Azerbaijan is a period of great achievements in all spheres of life in our country. Azerbaijan's economic power has increased, its position in the international arena has been further strengthened, and dynamic development has been ensured in all directions. As Azerbaijan's economic power grows, so does its defense power...Military lessons in secondary schools play an important role to strengthen students' sense of patriotism. Of course, a soldier's physical condition must be high. Sport is very important in this regard. At present, sports bases of secondary and higher schools are being developed in Azerbaijan, and special attention is being paid to the formation of healthy youth by creating modern sports facilities.

Amina Bayramova, teacher of Chaytumash village school-lyceum named after

H. Guliyev of Gubadli district, Honored Teacher:

- The development of education is an important part of Azerbaijan's state policy. Strengthening the material and technical base of education in the country, improving the quality indicators from year to year is a clear manifestation of this policy...In the last years, 10 new school buildings have been built in Baku, Sumgayit, and Absheron districts, which are more densely populated by IDPs from the Gubadli district, and 22 school buildings have been overhauled. At present, more than 6,600 students' study at these schools, and more than 1,000 teachers are involved in their education...Despite the hardships of IDP life, the high conditions created have a positive effect on increasing productivity. It is no coincidence that graduates of our schools enter higher education institutions with high scores, and some of them even continue their education abroad. We are proud of our achievements and strive to achieve better results.

Ganbar Gurbanov, Member of the Council of Elders of Kalbajar District, Chairman of the "Ashig Shamshir Cultural Center" Public Union:

- The successes of independent Azerbaijan in recent years make me as happy as any Azerbaijani, and inspire me to build at this age. Although we have been separated from our homeland for a long time, we do not lose faith; we live with the desire and hope to return to our Kalbajar days. The rapid economic development of our country, as a result of ongoing reforms, has created a strong material basis for the development of culture, science, education, health, and especially the building of the army, which is vital for us... This mountainous land has produced many famous people. We love words and music. Today, the sound of Kalbajar ashugs comes from radio and television, large concert halls. They united around the Ashig Shamshir Cultural Center. As an elder and chairman of a public association, I try to do my best to ensure the survival and development of the art of Kalbajar ashug.

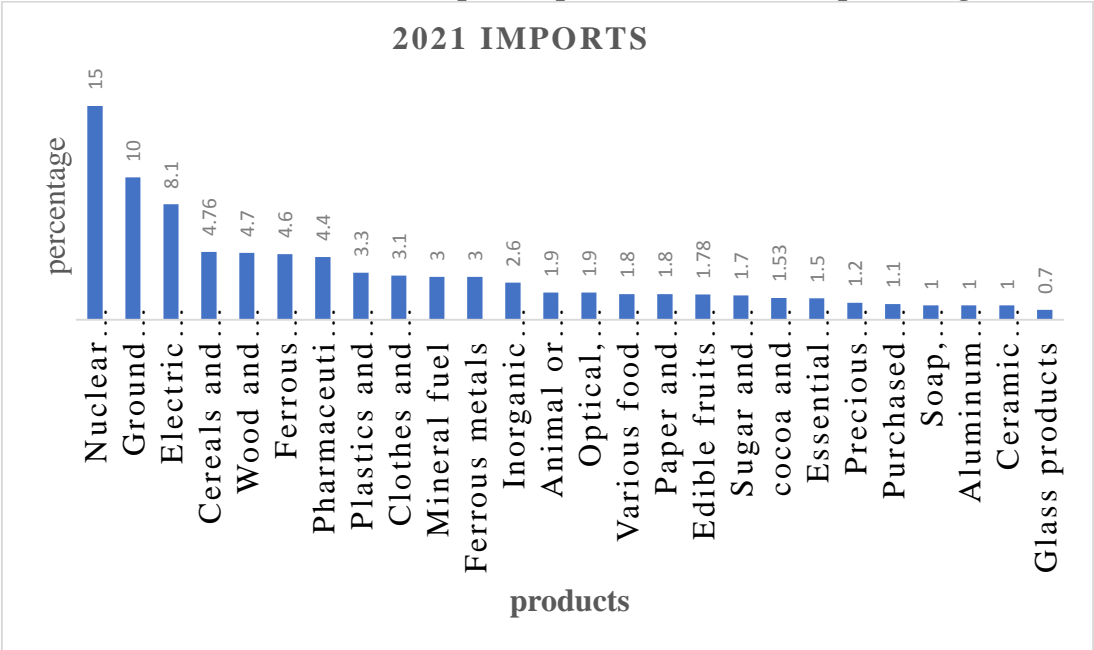
Magami Bayramov, Kalbajarli IDP, four-time world and three-time European champion:

- Azerbaijan is developing rapidly. This development has stimulated the growth of sports in our country. The state's care for the development of sports, along with the brilliant victories at the world and European championships, is characterized by the fact that our country hosts a number of prestigious international competitions... The renewal of the sports infrastructure, the high attention, and care in this area have played an important role in my success as an athlete. I can honestly say that the state's care for the development of the sport has a great role in my becoming a four-time world and three-time European champion in karate and a winner of many international tournaments. I believe that our athletes have taken advantage of the high conditions created and are willing to succeed and defend the sports for the honor of Azerbaijan with dignity.

From the thoughts of former IDPs, we can say that, many of them is ready to return homelands. But the question is how?

According to the government authorities, actions should be implemented to lessen the country's reliance on more imported products in compliance with the President Ilham Aliyev's instructions. Mr. President plans to increase GDP and overall wellbeing of the country with the help of entrepreneurship. For this manner, the President urges entrepreneurs to manufacture the most commonly imported goods. As a result, the country's reliance on imported goods might be cut by 10% to 30%. (Chart 1)

Chart 1. Imported products: volume in percentages



Source: Own editing according to the 2021 import data of AR

First and foremost, entrepreneurs and government organizations must evaluate whether items in our country are import-dependent. Once these products have been identified, we must endeavor to coordinate their manufacture in Azerbaijan. Entrepreneurs propose that we make it easier for these products to enter the country. Import facilitation should not be encouraged. The essential thing here is the coordination of these products' manufacture in the country, which we must support first. Shahin Mustafayev (2017) emphasized that talks with businesspeople should be held at

the Ministry of Economy: "In collaboration with entrepreneurs, we will promote the creation of products that are more reliant on imports." For example, the country produces 2 million tons of beets on 30,000-40,000 hectares, which equates to 200 thousand tons of sugar. Azerbaijan currently imports 185 million tons of raw sugar every year. It is paid in US dollars. These funds will be devoted to Azerbaijan's internal issues if we carry out this production ourselves. There are also issues in the winemaking industry. We also import bottles, corks, and other winemaking supplies. In these areas, we should endeavor to generate. Entrepreneurship in the country must primarily focus the strategic growth of domestic production.

"Easy money" should not be pushed into the market, according to Isenberg, in order to encourage high-growth, entrepreneurial companies. It is possible that investment funds as well as grants are too easy to come by. What matters most is having a solid base and the ability to make their own ends meet before they go for more funding. Financial stability, operational efficiency, and professional management are all essential in order for these businesses to be long-term winners. Concentrating on the companies that are both long-term and forward-looking rather than start-ups is crucial. The simple part of starting a new business is getting it off the ground; the hard part is making it a reality.

The difference between a "traditional" corporate growth policy approach versus a "growth-oriented" policy approach is that one of them is more conventional. Company programs for new businesses and venture capital financing, investments in regional development, and all cases of technology transfers are traditional approaches of increasing firms exist in total. For this strategy of using subsidies, tax breaks, and business incubators, and other support programs to choose better ideas available. This method's more interpersonal aspect is one of its distinguishing features. The purpose of this research is to investigate the impact of entrepreneurial leadership on the growth of a startup company. As a part of this effort, we will look at ways to develop and improve networks at the local, national, and global levels. Creating everything from the

beginning for a region is quite risky, but also exciting. For our case, starting with traditional approach will probably work in the beginning, and it will be necessary continuing with growth-oriented approach. In the transition process, directions and successful industries will be clearer, and it will make easy to see future perspectives.

In all post-conflict countries, the primary goal of disarmament, demobilization, reintegration and security sector reform are required to achieve safety and stability in post-conflict situations in order to foster recovery and growth (Bhatt, 2016). During the supervisory process, similar expectations formed about integration and rehabilitation of liberated areas in Karabakh, Azerbaijan.

The economic and ecologic situation of the regions continues to provide an understanding of the complexities and challenges after they returned to their legal owners. Furthermore, taking control over these lands is very useful in terms of exploring the strengths, weaknesses, opportunities, and potential threats from neighbor countries and the experiences. It is not surprise that the reality of social reintegration is going to be significantly different from the expectations raised during and after the war.

In order to facilitate social reintegration and promotion of peace at the regional level, at first, the existing gaps between newly liberated regions and other regions of the country should be greatly reduced by social and political activities. The activities can be designed to foster social and political awareness of the challenges that local people are going to face, also mitigate possible conflicts in the process. These are ways to facilitate the healing and reconciliation processes in affected communities. Aiming to promote social harmony and peace in the communities, a number of objectives and actions are proposed and acted upon.

The implementation process should focus on building the capacity of the main beneficiaries by conducting facilities to make people convenient about their safety first. Capacity building is directly linked to community engagement and activities. The objective of obtaining peace at the regional level is the primary goal to provide safety of its people. On a larger scale, it is aimed at preventing/reducing violence, promoting

reconciliation, and expediting the integration of regions left behind with the country's other areas.

After a conflict, in a society, some of the fundamental questions for peacebuilding organizations include what is the most effective strategy for dealing with past wounds. How do you reconcile society after a devastating insurgency? In the case of Karabakh, these two questions were valid and still relevant in one way or another. For example, it is been nearly two years in the era of speed, but still reintegration of liberated regions remains as an enduring problem in the country. Still the issue of formerly discharged and verified harm has not been addressed properly. After reintegration, it can be observed that ex-inhabitants are not willing to return to their previous places of residence, somehow, they can be afraid to live those bad experiences again. In order to bridge the gap for open collaboration in development activities in the community, the trust must be developed. Former IDPs and other community members working together is considered successful impact for community reintegration and promotion of social cohesion.

For development, you should understand the current situation and current needs of your business. Regional development should be formed according the whole country's future perspective. There are opportunities that can make perfect results if taken seriously. Development starts with estimating your own needs and forming the material you have into the things you will need in the wintertime. Even if your land is capable of growing many things, you must choose wisely.

Creating a safe atmosphere in collaboration is an important task for social harmony and peace. The conflict perspective analysis, sharing painful stories and memories, discovering common problems and resources, and joint activity planning for better communities were found to be unique and powerful tools necessary to make IDPs feel safe to return home.

CONCLUSIONS AND RECOMMENDATIONS

Like many other countries, Azerbaijan included the business creation at the top of main priorities for government action. In our country, the field of entrepreneurship keeps its prominent part in our economic and social life, especially during the recent years. This fits into the visionary desire of the Azerbaijan government. For creating better future for industrial districts, it is necessary to examine options as much as possible. In the last chapter of the dissertation, we tried to select them more suitable for the characteristics of given region. The process starts with the areas we must pay more attention. Whether large or small companies can be good for the region is our first objective. Large companies can offer their employees more than small companies, because they have more resources, while small companies tend to encourage creative “outside the box” thinking and are more likely to embrace change and even radical ideas.

Peace after war brings a new set of challenges, including the possibility of violence and political unrest, as well as a fresh side on building peace within development. East Zangezur's economic and social conditions suggest that small businesses and start-ups have a better chance of growing swiftly and bringing long-term benefits to the region. For the simple reason that this strategy makes it simpler to include residents in the development process. Aid organizations from around the world are working with governments to develop post-war growth plans. Despite the high-risk nature of these investments, I believe that governments can reduce uncertainty and speed up the process of recouping FDI by enhancing policies related to information openness, government accountability, and international aid participation. Companies with great growth potential and large levels of innovation are inherently dangerous. As a result, the success for them is not based on any special recipe. Non-competitiveness, unfair taxation, difficult access to markets, competent staff, or investment money are some of the obstacles that need to be overcome in order for small businesses to thrive.

As a result, we now need to choose which is more important: government support or foreign investment. Foreign investment in post-war economies should not be solely dependent on help, according to policymakers and relief agencies. With a long-term perspective, structures that incentivize social responsibility investment may be more successful in these circumstances.

Policymakers face the challenge of creating policies that work while avoiding the temptation of intervening directly in order to achieve change. Industry and innovation may benefit from government support. Its job is focusing on the attention of its many ministries and agencies should work on the issue and develop appropriate strategies. It will be simpler to achieve better outcomes if entrepreneurs and policymakers alike get a better knowledge of entrepreneurial ecosystems, their formation, and the constraints they confront.

This can take the form of easily available grant and investment funding. It is critical to provide a solid basis for a company's growth prior to actually asking more funding. If a firm is not financially stable, productive, and properly managed, it has little chance of success. Focusing on long-term growth and innovation rather than supporting the creation of additional startups is what is needed. Launching a new business is easy; challenge is ensuring its succeeding.

Creating everything from the beginning for a region is quite risky, but also exciting. For our case, starting with traditional approach will probably work in the beginning, and it will be necessary continuing with growth-oriented approach. In the transition process, directions and successful industries will be clearer, and it will make easy to see future perspectives.

In the last years, there is an increasing interest in regional constructed advantage to understand how regions can use policy interventions to create new economic development trajectories and pathways by changing their capacities. Capacity of a region is its limiting capability to produce an output over a period. Capability of the production is limited for a period. But nowadays, smart specialization is a leading

approach for capacity activation. It means the capacity is subjected to intensiveness of use of the facilities of the region. If partnerships of stakeholder networks, in particular regions, come together to reveal knowledge and identify potential new knowledge combinations, it is possible to enhance capacity within a few days or hours. Central to entrepreneurial discovery is discovering new fields of opportunity relating to existing strengths, networks and capacity, and therefore can be understood as seeking to exploit existing regional embeddedness. With these methods, the capacity can be increased to meet additional demand.

Ecological considerations of armed conflicts in the region should also be highlighted. The magnitude and depth of violent degradation of the environment are illustrated in this research, which calls all the human rights, peacebuilding, legal specialists, humanitarian demining, and environmental groups.

In this research, we continue with this approach. We use many statistics and create a systematic table of most imported goods of the country, then according our earlier analysis about region/s entrepreneurial opportunities, we will make another analysis that can help to estimate which of these imported goods can be produced in the East Zangezur economic region with low cost. Also taking into account the persistent environmental challenges in Karabakh as the poisonous impact of war is necessary.

Each of liberated regions – Jabrayil, Kalbajar, Lachin, Gubadli and Zangilan– has started to develop a regional innovation strategy. Partners in all these regions are motivated by a desire to access foreign investment, and the regional authorities are developing strategies to meet the requirements to access structural funds, being covered by smart specialization strategies at a higher administrative level. In all of regions of East Zangezur, there is a genuine desire by people and the government to stimulate a change of regional direction, to create new kinds of innovative business activities that may contribute to reducing industrial decline of the past 30 years and improving the innovativeness of regional industry and the wealth of the region more generally.

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