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The Analysis of Transformational Leadership Models in Improving the MSME's Performance in the East Priangan-West Java Indonesia

Aneu Yulianeu^{1*}, Augusty Tae Ferdinand², Ratno Purnomo³

Abstract

Transformational leadership is something that is important in initiating and implementing implementation for both individual and corporate businesses. More literature shows that transformational leadership is an interesting theme since the last few decades. This study analyzed the leadership of transformative change on the performance of a personal or company business through an organizational learning process that is energized and supports work teams. Collecting data against MSME's in Pringan Timur which was chosen deliberately with the consideration that MSME's have attended APTIKOM or computer training. While the sample was randomly determined as many as 146 respondents using the Slovin formula at an error rate of 5 percent of the total participation of 280 determined by proportionality. Data analyzed consisted of primary data obtained using a questionnaire, then processed using AMOS ver software. 18. We note several findings including: 1) Transformational leadership is fully direct significance to the learning process of the organization; 2) Organized learning process that is directly energized. 3) Organizational learning process that is directly directed significantly to organizational performance; 4) and 5) Transformational leadership can indirectly affect organizational performance through organizational learning processes that are energized and support work teams.

Keywords---Transformational Leadership, Energizing Organizational Learning, Flexibility Teamwork, MSME's, Organizational Performance.

Introduction

A leader is someone who has the influence and power to influence his subordinates (House and Aditya, 2016). From the influence of leadership style that is owned, it produces a style of leadership (Dewi et al., 2020). However, each style in leading is inseparable from the situation and conditions so that a leader is known as interdisciplinary leadership (Hifza et al., 2020); (Hutagaluh and Aslan, 2019); (Hutagaluh et al., 2020). Situational leadership and interdisciplinary leadership both have a leadership spirit in accordance with the situations and conditions experienced by leaders, so that the leadership experiences challenges from the impact of changes that occur at this time.

According to Para-González et al., (2018) leaders who know the situation and conditions of the impact of social change experienced by the community, then this type of leadership is known as a transformational leader. In fact, transformational leadership has a significant effect on organizational performance. In addition, transformational leadership in terms of developing individuals can

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articulate a shared vision and convince employees to continue to innovate so as to improve individual performance in the organization. (Sethibe, 2017); (Wang and Howell, 2012).

Leadership in a company has a leader in almost every field including MSME's leadership. If transformational leadership is implemented at MSME's, it can become a major source for moving forward and developing companies.(Ng and Kee, 2017). Since the economic crisis, MSME's have become the economic safeguards in Indonesia. It is also based on a survey conducted by an official government agency with a total of 90 percent, that the most influential economic potential for supporting the economy when Indonesia experiences economic downturn is the MSME's. Because, MSME's also have very open opportunities to explore new businesses and invest in the goods and services sector, especially the retail, entertainment, education, and business life style industries. However, not all MSME's in Indonesia have the soul of a transformational leadership model so that rather rigid leadership also affects the organization they lead. At least this is what happens to most MSME's in the East Priangan region.

MSME's in the East Priangan region have been plagued by various problems with business performance and productivity. The cause of the problem is believed by 80 percent of MSME's on a business scale to have several members led by someone as the sole owner with his own absolute leadership character (single fighter). For example in running a business starting from preparing a business plan, implementing, working on production, evaluating, marketing, procurement of raw materials to the work of evaluating profit or loss are all controlled by a single owner himself. This trend is a weakness experienced by most MSME's to the point where it is very difficult to deal with developments and improve the climate of MSME's performance in East Priangan.

Studies on business leadership have been carried out. For exampleZhang, (2010)examines transformational leadership in small and large scale business environments. The results of his research include transformational leadership influencing the initiation and implementation of transformations for both individual businesses and organizations. Then a series of small business experts have also conducted the same study.Among others areGarcía-Morales et al., (2012), García-Guiu et al., (2016), Demissie and Zhou, (2018), Vivian Chen et al., (2016), García-Morales et al., (2012), Sharma et al., (2012), Tse et al., (2013), Tse and Chiu, (2014), Abeysekera and Jayakody, (2011), Sharma et al., (2012), Braun et al., (2013), Gumusluoglu et al., (2013), Munir et al., (2012), Eberly et al., (2017), Demissie and Zhou, (2018), Nemanich and Keller, (2007), Wang et al., (2005). Previous research on leadership has an impact on business success, especially mid-sized businesses that involve several employees. From some of the differences and similarities of research on transformation, the difference from the study analyzes the effect of transformational leadership on organizational performance both directly and indirectly through the process of organizational learning that is energized and the flexibility of the work team.

The results of the authors' observations that MSME's in the East Priangan region experienced obstacles that caused the UMKM spinning wheel among others due to; First, the business capital is not sufficient so they force themselves to carry out their business processes. Second, efficiency with various savings efforts including the expenditure of labor wages. This system is known as one man show, where MSME's are very familiar with the term because it is felt to be very efficient in business activities. However, they are not aware of the weaknesses, that is, if the leader or owner is unable to

run a business, the company automatically stops operating because it does not have raw materials and labor.

Literature Review

Transformational Leadership

Transformational leadership theory introduced by Burns (1978) and Bass (1985), has developed with 4 dimensions of leader behavior as an ideal influence, inspirational motivation, intellectual stimulation and individual consideration. This study refers to Bass & Avolio (1993) and Heger (2007) transformational leadership models about employee involvement and organizational performance. Transformational leaders not only encourage employee performance but also interest in the work and organization where they work so that it affects their involvement both for their work and their organization. dimension taken in research uses the dimension of Bass (idealized influence, inspiration motivation, intellectual stimulation, individual consideration), the Bass dimension is a stable and applicable dimension, in the sense that it can be implemented in a variety of research including one of MSME's analysis studies (Aziz, Abdullah, & Tajudin, 2013; Jos Mesu, 2014; Khalid & Nazir, 2014; Kurt Matzler & Harms, 2012; Ling, Simsek, Lubatkin, & Veiga, 2008; Mittal, 2016; Özer & Tınaztepe, 2014; Visser, De Coning, & Smit, 2005).

Energizing Organizational Learning

Energy is a part of everyday conversation and experience in organizational life. This is clearly related to people's motivation and desire to exert effort, and it is closely related to the progress of the organization initiatives that are described as having energy usually move forward. However energy is also an abstract idea with a little clarity about how it can be made or how it affects the results. Energy is defined as "the type of positive affective arousal, which can be experienced by people as emotions, short changes to certain events, or moods, affective states that last longer which need not be a response to certain events" (Quinn and Dutton, 2003). energizing character of organizational learning, namely: KSA that is typical of the company; Process that is typical of the company; Makes him more focused; More able and He helps raise the environment.

Enabling the necessary structures or antecedents (eg perceived power imbalances, perceived low costs, and dissatisfaction and frustration); Motivating structures or incentives (eg internal competition, reward systems and expected benefits); Speed up the process or trigger a situation (eg downsizing and restructuring, organizational changes, changes in the composition of work groups).

Teamwork Flexibility

Flexible teamwork is a popular model for new work organizations in Europe (Mueller, 2007), the idea of working effectively in teams is not new. In the 1960s and 1970s, experts had begun training in order to try to improve group skills, problem solving, team leadership and creativity. This can be realized through collaborative work and practice, managerial grid courses (Blake and Mouton, 1984). Group situational leadership or collaboration programs (Hersey and Blanchard, 1988) are often implemented based on theory, which sometimes is not in practice in an effort to improve team performance and participation. More recently direct forms of employee engagement, such as semi-autonomous teams, have become well-known at the operational level in organizations in South Africa.

Managerial motivation is often made to be understood in a unitary sense (Horwitz, 1990a). Trade union preferences in the form of indirect or representative participation have been found (Jones and Maree, 1989; Peterson and Tracy, 1988).

Organizational Performance

Organizational performance has obscurity not only from problem definition, but also from conceptual problem. This is stated by Hefferman and Flood (2000). They state that as a concept in modern management, organizational performance experiences problems of conceptual clarity in a number of fields. The first is the field of definition while the second is from measurement. The term performance is sometimes confused with productivity.

According to Ricardo (2001), there is a difference between performance and productivity. Productivity is a ratio that describes the volume of work completed in a certain amount of time. Performance is a broader indicator that can be included productivity and quality, consistency and other factors. In results-oriented evaluations, the productivity of actions is usually considered. Ricardo (2001) argues that performance measures can include results-oriented behavior (criteria-based) and relative (normative) measures, education and training, concepts and instruments, including management training development and leadership, which are necessary building skills and performance attitudes management.

Therefore, from the literature review above, the term "performance" must be based more broadly covering effectiveness, efficiency, economy, quality, consistency behavior, and normative measures (Ricardo, 2001). The next problem that is always asked about organizational performance is what factors determine the appearance of the organization. According to Hansen and Wernerfelt (1989) in the business policy literature, there are two main streams of research on the determinants of organizational performance. One is based on economic traditions, emphasizing the importance of external market factors in determining organizational performance.

Hypotheses

Effect of Transformational Leadership on Energizing Organizational Learning

The study of the relationship of transformational leadership with organizational learning has produced several theoretical models as we summarized in table 2.7 (Castiglione, 2006; García-Morales, Matías-Reche, & Hurtado-Torres, 2008; Hsiao & Chang, 2011; Noruzyet al. , 2013; Víctor J. García-Morales, 2018). Ali Noruzy&VahidMajaziDalfard&BehnazAzhdari& Salman Nazari-Shirkouhi&AliasgharRezazadeh (2013) show that transformational leadership is the most influential factor in organizational learning, knowledge about organizational learning management, knowledge management, organizational innovation, and organizational performance. This finding explicitly shows that transformational leadership influences organizational performance both directly and indirectly.

Kark et al. (2003) state that transformational leadership influences followers by connecting their self-concept with the mission of the organization or group and modifying their values and self-esteem. Transformational leaders influence followers by shifting personal goals toward self-actualization. Followers are motivated by fear of disappointing leaders (Chen 2002; Yukl, 2002).

Transformational leaders can create conditions in organizations that support and maintain organizational performance. According to (Davies 2005), building professional learning is a major contribution to the work of teachers and student learning. The transformational administration style allows organizations to learn through experimentation, communication, and dialogue (Mc. Gildan Slocum 1993). This according to (Sarros et al. 2002) will encourage stimulation, individual consideration, and motivation to continue learning. Transformational leadership influences organizational learning, the hypotheses proposed in this study are:

H1: Transformational leadership has a positive and significant effect on energizing organizational learning

The Effect of Energizing Organizational Learning on Teamwork Flexibility

Studies of the relationship of organizational learning with flexible teamwork have produced many theoretical models (Camps, Oltra, Aldás-Manzano, Buenaventura-Vera, & Torres-Carballo, 2016; SC Goh, Chan, & Kuziemy, 2013; Lloréns Montes, Ruiz Moreno, & García Morales, 2005; Schwab, 2011; Wei, Yi, & Guo, 2014). Several studies on organizational learning that emphasize aspects of the importance of employee flexibility if the company wants to work effectively (Pacheco-de-Almeida et al., 2008; Shimizu & Hitt, 2004). The traditional vision which was the center of previous empirical research that upheld the importance of aspects such as employee work, satisfaction and organizational commitment as variables between Organizational learning Capability (OLC) and (individual) performance (Bhatnagar, 2007; Chiva & Alegre, 2008; Jerez- Gomez et al., 2005a). Organizational learning that is influenced has an effect on organizational performance, the hypotheses proposed in this study are as follows:

H2: energizing organizational learning has a positive and significant effect on teamwork flexibility.

The Effect of Energizing Organizational Learning on Organizational Performance

Studies on the relationship of organizational learning with organizational performance have produced several theoretical models, ((ARTHUR, 2005; García-Morales, Lloréns-Montes, & Verdú-Jover, 2007; García-Morales et al., 2008; Liao, 2009; Škerlavaj, Štemberger, Škrinjar, & Dimovski, 2007)). Organizational learning mediates the relationship between knowledge management and partnership performance, a manager must take steps to develop organizational learning in linking knowledge management and partnership performance, for example: teamwork, managerial commitment, learning orientation and openness to new ideas.

Organizational learning will affect organizational performance in a number of circumstances. Therefore, managers must not increase the perspective of performance. Organizational learning will not directly affect financial and marketing performance. Thus, managers will take other ways to improve it (shu-shienliao (2009)). Organizational learning that is influenced has an effect on organizational performance, the hypotheses proposed in this study are:

H3: The more an organization's learning process is energized, the better the organization's

*performance**The Effect of Teamwork Flexibility on Organizational Performance*

Studies on flexible teamwork and organizational performance have resulted in several theoretical models, (Bhattacharya, 2005; HAYTER, 1997; Ingram, 1996; Liu, Liu, Ding, & Lin, 2015; virginia, 2012).The flexibility of teamwork influences organizational performance, the hypotheses proposed in the study are:

*H4: Increasing teamwork & flexibility increases organizational performance***Method**

To obtain the required data, this study used a survey of several MSME's actors in the East Priangan region that were determined with consideration for those who had participated in vocational training using a supporting device to support their efforts under the name Aptikom and they were compiled under the Ministry of Women's Empowerment and Child Protection (KPPP-A) covers Garut, Tasikmalaya, Ciamis, Pangandaran, Tasikmalaya City, and Banjar Regencies.

Furthermore, the respondents were 146 MSME's owners who were determined using the Slovin formula at a 5 percent error rate of the population of 280 MSME's whose proportions were taken using simple random sampling. Primary data consisting of transformational leadership, learning organizations, flexible teamwork, and organizational performance were collected from September - December 2019 using prepared questionnaires. Data were analyzed using SEM with the help of AMOS software ver. 18 to test the model and the relationships and influences between variables developed in the model.

Results

The data was analyzed using the Structural Equation Modeling (SEM), but the correlation value among variables was first tested as exhibited in table 1.

Table 1. Descriptive Statistic and Correlation Test

Variable	Mean	Std. Deviation	1	2	3	4
Leadership Transformational	3.21396	.063067	1			
Energizing Organizational Learning	3.34685	.065960	0.845**	1		
Readiness to Change	3.28346	.063440	0.700**	0.771**	1	
Organizational Performance	2.87812	.057727	0.680**	0.695**	0.721**	1

**, Correlation is significant at the 0.01 level (2-tailed).

The table 1 shows a positive and significant correlation value between Transformational Leadership, Energizing Organizational Learning, Readiness to Change, and Organizational Performance. Mean while, the mean and standard deviation value confirmed that there was no indication of variables that

had high variance. To determine the indicators used in the model, the Confirmatory Factor Analysis (CFA) was used. From the CFA test, the expected loading factor of each indicator was > 0.5 ; however, the results showed that there was no indicator that the value of Loading Factor was less than 0.5. Therefore, all indicators in the model could be used to predict the variable. After conducting the CFA pre-test, the full estimation of the structural model was carried out, and the test results are presented in Figure 1.

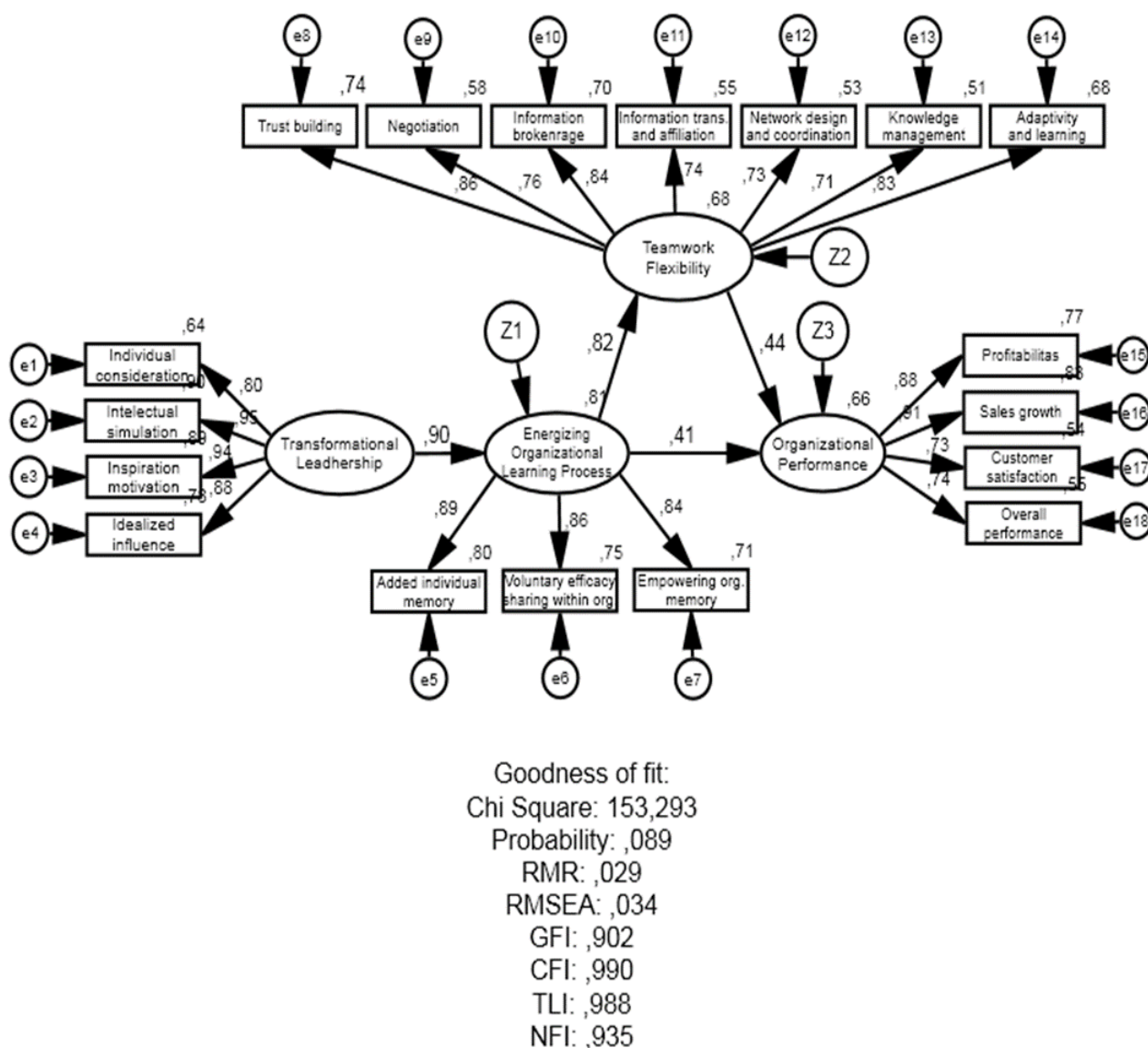


Figure 1. Full Structural Model

Pathway Diagram of Transformational Leadership Model in Improving Organizational Performance

To test the accuracy of the model, Model Fit Indeks was used and the results is presented in Table 2.

Table 2. Model Fit Indeks

Criteria		Cut Off	Result	Conclusion
Chi-square		Expected small	153.293	Marginal
Significance Probability		≤ 0.05	0.089	Fit
CMIN/DF		≤ 2.00	1.31	Fit
RMSEA		≤ 0.08	0.034	Fit
GFI		≥ 0.90	0.902	Fit
TLI		≥ 0.90	0.988	Fit
CFI		≥ 0.95	0.990	Fit
AGFI		≥ 0.90	0.872	Marginal

Model fit indeks indicated that the model fit well to the data, and the hypothesised model was significantly better fit than the null model. All modification indices for the beta pathways among major variables were small; therefor, adding and additional path would not significantly improve the fit. The covariance residuals were small and centered around zero. The finding from the regression estimates for SEM that all variable had positive and significant pathways (Table 3). In order words, all hypotheses in this study are accepted.

Table 3. Regression Estimated

Variables			B	SE	C.R.	P	Note
Energizing Organizational Learning	←---	Transformational Leadership	0.898	0.098	11.264	***	Significant
Teamwork Flexibility	←---	Energizing Organizational Learning	0.824	0.078	10.694	***	Significant
Organizational Performance	←---	Teamwork Flexibility	0.439	0.112	3.528	***	Significant
Organizational Performance	←---	Energizing Organizational Learning	0.410	0.114	3.292	***	Significant

Table 4 displays satisfactory reliability and validity construct for the quality of the measurement model of the sample. The value of the reliability construct ranged from 0.76 to 0.96, while the value of the validity extracted was greater than 0.5. The result proved the convergen validity from examination of both the significance of the loadings factor and the shared variance. The amount of variance captured by construct should be greater than the measurement error (0.5).

Table 4. Reliability and Validity Construct

Variables	Reliability Construct	Variance Extracted	Cronbach Alfa
	CR > 70%	AVE > 50%	C.A > 0.7
Transformational Leadership	81.81%	80.14%	0.724
Energizing Organizational Learning	73.27%	56.44%	0.811
Teamwork Flexibility	71.79%	51.15%	0.762
Organizational Performance	72.75%	55.79%	0.830

To analyse the significance between transformational leadership and energizing organizational learning in which teamwork flexibility as a mediator variables, the Sobel test was used. The result of Sobel test showed that the indirect effect between transformational leadership and energizing organizational learning through teamwork flexibility to change was positively significant. Therefore, as the value Sobel test was 2.89318172 with significant value 0.00381361 (two tailed), the indirect path effect between transformational leadership and energizing organizational learning through teamwork flexibility was positively significant.

Discussion

The Effect of Transformational Leadership on the Energizing Organizational Learning Process

Transformational leadership reflected by intellectual stimulation ($\lambda = 0.94$), individual motivation ($\lambda = 0.94$), charisma ($\lambda = 0.91$), and individual consideration ($\lambda = 0.82$) directly have a significant effect on energizing 75 percent of organizational learning processes are reflected by indicators adding individual memory, voluntary sharing of efficacy in organizations, and empowering organizational memory. This implies that the better transformational leadership is reflected by the better simulation of individuals, individual motivation, and individual charisma, the better the process of encouraging organizational learning.

Transformational leadership builds teams and gives them direction, energy, and support for the process of organizational change and learning. (McCall, 1986). This style allows organizations to learn through experimentation, exploration, communication and dialogue. (Senge, 2006); (Slater and Narver, 1995). Transformational leadership more specifically encourages organizational learning by promoting intellectual stimulation and providing inspirational motivation and confidence among members of the organization. Transformational leader will become catalyst, mentor, facilitator and trainer in organizational learning. He encourages shared mental models in technology organizations that support continuous learning and facilitate learning of technology and the use of new technologies. (Senge, 2006).

Transformational leadership produces greater awareness of the goals and mission of the organization in fostering a shared vision, reorienting training and building team work. This leadership style allows a leader to learn to commit openly which will be a driving force and provide whatever is

needed to overcome internal skepticism and external difficulties to build learning in organizations (Wick and Leon, 1995). Influence transformational leadership on communication and the effect of communication on organizational learning produces an indirect effect on transformational leadership on organizational learning through communication (Argyris and Schön, 1996; Lei et al., 1999; Schein, 1993; Senge et al., 1994). Based on this, transformational leadership ability is one of the most important tools for developing learning in organizations (Maani and Benton, 1999; Slater and Narver, 1995).

The Effect of Energizing Organizational Learning Process on Teamwork and Flexibility

The process of encouraging organizational learning is reflected by empowering organizational memory ($\lambda = 0.87$), sharing voluntary efficacy in organizations ($\lambda = 0.86$), and adding individual memory ($\lambda = 0.85$) significantly influencing work team flexibility. as much as 88 percent is reflected by indicators of building trust, negotiation, information brokers, strengthening information transmission, translating design and coordination, knowledge management, and adaptive learning. This implies that the better the process of encouraging organizational learning is reflected by the more frequent empowerment of organizational memory, voluntary sharing of efficacy within the organization, and the more frequent addition of individual memory, the better the flexibility of teamwork.

One of the main characteristics of a flexible workforce is its ability to perform a variety of different tasks.(Wright and Snell, 1998). This is consistent with the idea of equivalence (similar to functional flexibility or labor versatility), which means that employees can work on different tasks in various circumstances, so as to reduce the costs and time needed to mobilize them into new assignments or jobs.(Berg and Velde, 2005). This dimension of employee flexibility facilitates the movement of employees between work and responsibilities for many tasks from other jobs.(Riley et al., 2002). The need to improve employee expertise is the key to building job viability in the context of sustainable change.(Heijde and Heijden, 2006).Therefore according to Ansoff, (1995), employee flexibility is a synonym of work ability.

Flexible employees can meet skills requirements in the future and show enthusiasm for learning with new approaches. (Dyer and Ericksen, 2005). This implies that employees are not only fixated on their current competencies, but rather on the ability to detect new requirements and learn to do new tasks quickly.(Bhattacharya et al., 2005); (Wright and Snell, 1998).

Teamwork Influence and Flexibility Toward Organizational Performance

Flexible work team flexibility is reflected by building trust ($\lambda = 0.85$), consulting services broker ($\lambda = 0.84$), adaptive learning ($\lambda = 0.84$), knowledge management ($\lambda = 0.79$), translating design and coordination ($\lambda = 0.76$), negotiation ($\lambda = 0.75$), and strengthening information transmission ($\lambda = 0.75$) have a significant effect on organizational performance reflected by profit indicators, sales growth, customer satisfaction, and overall performance . This implies that the more trust is built, the better the information broker and consultant services, the better adaptive learning, the better knowledge management, the better translate the design and coordination, the more frequent negotiations, and the

more frequent the strengthening of organizational transmission, the better the performance of the organization.

Team performance is a product of the process and people who need time to develop, the initial step needed to form a team is to maintain and develop the team. Katzenbach and Smith, (2015) state that effective team performance depends on initial direction, such as choosing membership carefully based on personality and skills, making a good start because first impressions are important, setting ground rules for behavior, agreeing on measurable goals and actions which forms the basis of team performance to be assessed, often meets so members can feel more comfortable with each other, and uses the power of positive feedback to recognize and strengthen individual participation.

Team agility is also important, because it helps achieve a number of business benefits such as supporting strategic objectives of cost, speed, time, quality, responsiveness, and variety (Hopp et al., 2004); (Swafford et al., 2006). To management actions in facilitating team agility to improve team performance. Liu et al., (2019) research results by applying coopetition theory to explore the formation of team agility and its influence on team performance shows that better performance and team agility are influenced by collectivism, team politics, transformational leadership, and transactional leadership through coopetition mediation and empowerment team.

The Effect of Energizing Organizational Learning Process on Organizational Performance

The process of encouraging organizational learning is reflected by adding individual memory ($\lambda = 0.85$), sharing voluntary efficacy within the organization ($\lambda = 0.86$), and empowering organizational memory ($\lambda = 0.87$) significantly influencing the performance of the organization reflected by indicators of profit, sales growth, customer satisfaction, and overall performance. This implies that the better the process of encouraging organizational learning is reflected by the more frequent empowerment of organizational memory, voluntary sharing of efficacy within the organization, and the more frequent adding of individual memories causes better organizational performance.

Research conducted by Miha Škerlavaj, Mojca Indihar Sembertemberger, Rok Škrinjar, Vlado Dimovski (2016) places more emphasis on testing models of improving organizational performance based on the impact of organizational learning culture. The concept of organizational learning culture (OLC) is defined as a set of norms and values about the functioning of an organization. They must take a systematic and in-depth approach aimed at achieving high-level organizational learning. The elements of the organizational learning process used are information acquisition, information interpretation, and changes in cognitive behavior.

Conclusion

Based on the results of the study, it can be concluded as follows:

1. Transformational leadership has a significant effect on energizing organizational learning process, meaning that the better transformational leadership causes the process of encouraging organizational learning to be better.
2. Energizing organizational learning process has a significant effect on friendship and flexibility, meaning that the better the process of encouraging organizational learning causes the flexibility of work teams the better.

3. Temwork and flexibility have a significant effect on organizational performance, meaning that more flexible teamwork causes better organizational performance.
4. Energizing organizational learning process has a significant effect on organizational performance, meaning that the better the process of encouraging organizational learning leads to better organizational performance.

Limitations and Future Research

Respondent data is dominated by culinary business, because culinary business is easier to run than other businesses, in general the sale of goods does not require a permit but is sufficient to use a house to be a place of business, while umkm in other clutsters require a high production site and capital and require a permit before run it. This research was conducted at a community that had attended sustainability training for two years and concentrated in the field of information technology, and was limited by female gender entrepreneurs. Therefore, future research should involve MSME'sin PrianganTimur in general that are not gender bound and can cover all clutsters as a whole and evenly.

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